UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2010

Commission file number 1-12672

AVALONBAY COMMUNITIES, INC.

(Exact name of registrant as specified in its charter)

Maryland	77-0404318
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

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

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

(Former name, if changed since last report)

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

Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ No o

Indicate by check mark whether the Exchange registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yeso No þ

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

85,162,865 shares of common stock, par value $0.01 per share, were outstanding as of July 31, 2010

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

	6-30-10 (unaudited)	12-31-09
ASSETS		
Real estate:		
Land	$ 1,294,929	$ 1,250,679
Buildings and improvements	6,213,711	5,988,330
Furniture, fixtures and equipment	194,434	186,301
	7,703,074	7,425,310
Less accumulated depreciation	(1,590,901)	(1,477,772)
Net operating real estate	6,112,173	5,947,538
Construction in progress, including land	492,156	531,299
Land held for development	237,529	237,095
Operating real estate assets held for sale, net	—	117,555
Total real estate, net	6,841,858	6,833,487
Cash and cash equivalents	373,721	105,691
Cash in escrow	188,267	210,676
Resident security deposits	21,787	23,646
Investments in unconsolidated real estate entities	71,467	74,570
Deferred financing costs, net	33,905	34,531
Deferred development costs	87,611	87,763
Prepaid expenses and other assets	86,228	87,241
Total assets	$ 7,704,844	$ 7,457,605
LIABILITIES AND STOCKHOLDERS' EQUITY		
Unsecured notes, net	$ 1,659,621	$ 1,658,029
Mortgage notes payable	2,288,913	2,316,843
Dividends payable	75,944	72,773
Payables for construction	43,443	49,623
Accrued expenses and other liabilities	228,314	233,029
Accrued interest payable	30,723	35,069
Resident security deposits	33,596	33,646
Liabilities related to real estate assets held for sale	—	2,669
Total liabilities	4,360,554	4,401,681
Redeemable noncontrolling interests	9,381	5,797
Stockholders' equity:		
Preferred stock, $0.01 par value; $25 liquidation preference; 50,000,000 shares authorized at both June 30, 2010 and December 31, 2009; zero shares issued and outstanding at June 30, 2010 and December 31, 2009	—	—
Common stock, $0.01 par value; 140,000,000 shares authorized at both June 30, 2010 and December 31, 2009; 85,078,734 and 81,528,957 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively	851	815
Additional paid-in capital	3,515,189	3,200,367
Accumulated earnings less dividends	(179,929)	(149,988)
Accumulated other comprehensive loss	(1,202)	(1,067)
Total stockholders' equity	3,334,909	3,050,127
Total liabilities and stockholders' equity	$ 7,704,844	$ 7,457,605

See accompanying notes to Condensed Consolidated Financial Statements.

AVALONBAY COMMUNITIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND OTHER COMPREHENSIVE INCOME
(unaudited)
(Dollars in thousands, except per share data)

	For the three months ended		For the six months ended	
	6-30-10	6-30-09	6-30-10	6-30-09
Revenue:				
Rental and other income	$ 218,784	$ 210,182	$ 432,522	$ 418,447
Management, development and other fees	1,684	2,077	3,533	3,545
Total revenue	220,468	212,259	436,055	421,992
Expenses:				
Operating expenses, excluding property taxes	65,885	66,001	130,916	128,781
Property taxes	23,175	19,945	46,347	40,831
Interest expense, net	41,458	36,880	83,999	67,010
Gain on extinguishment of debt, net	—	—	—	(1,062)
Depreciation expense	57,479	51,174	113,574	101,247
General and administrative expense	4,041	5,390	12,936	12,637
Impairment loss — land holdings	—	20,302	—	20,302
Total expenses	192,038	199,692	387,772	369,746
Equity in income of unconsolidated entities	463	492	689	3,949
Income from continuing operations	28,893	13,059	48,972	56,195
Discontinued operations:				
Income from discontinued operations	244	3,664	2,240	7,629
Gain on sale of communities	21,929	—	72,220	—
Total discontinued operations	22,173	3,664	74,460	7,629
Net income	51,066	16,723	123,432	63,824
Net loss attributable to redeemable noncontrolling interests	59	951	216	1,275
Net income attributable to common stockholders	$ 51,125	$ 17,674	$ 123,648	$ 65,099
Other comprehensive income:				
Unrealized (loss) gain on cash flow hedges	(677)	421	(135)	797
Comprehensive income	$ 50,448	$ 18,095	$ 123,513	$ 65,896
Earnings per common share — basic:				
Income from continuing operations attributable to common stockholders	$ 0.35	$ 0.17	$ 0.59	$ 0.72
Discontinued operations attributable to common stockholders	0.26	0.05	0.90	0.10
Net income attributable to common stockholders	$ 0.61	$ 0.22	$ 1.49	$ 0.82
Earnings per common share — diluted:				
Income from continuing operations attributable to common stockholders	$ 0.35	$ 0.17	$ 0.59	$ 0.72
Discontinued operations attributable to common stockholders	0.26	0.05	0.90	0.10
Net income attributable to common stockholders	$ 0.61	$ 0.22	$ 1.49	$ 0.82
Dividends per common share:	$ 0.8925	$ 0.8925	$ 1.7850	$ 1.7850

See accompanying notes to Condensed Consolidated Financial Statements.

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

	For the six months ended	
	6-30-10	6-30-09
Cash flows from operating activities:		
Net income	$ 123,432	$ 63,824
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation expense	113,574	101,247
Depreciation expense from discontinued operations	—	5,130
Amortization of deferred financing costs and debt premium/discount	3,908	3,598
Amortization of stock-based compensation	3,409	3,638
Equity in loss (income) of unconsolidated entities, net of eliminations	120	(4,288)
Impairment loss — land holdings	—	20,302
Gain on sale of real estate assets	(72,220)	—
Gain on extinguishment of debt, net	—	(1,062)
Decrease (increase) in cash in operating escrows	1,185	(775)
Decrease (increase) in resident security deposits, prepaid expenses and other assets	3,009	(5,843)
(Decrease) increase in accrued expenses, other liabilities and accrued interest payable	(4,693)	3,957
Net cash provided by operating activities	171,724	189,728
Cash flows from investing activities:		
Development/redevelopment of real estate assets including land acquisitions and deferred development costs	(233,994)	(311,577)
Capital expenditures — existing real estate assets	(4,872)	(1,708)
Capital expenditures — non-real estate assets	(524)	(383)
Proceeds from sale of real estate, net of selling costs	187,587	—
Decrease in payables for construction	(6,180)	(9,100)
Decrease in cash in construction escrows	21,224	47,413
Decrease (increase) in investments in unconsolidated real estate entities	2,781	(702)
Net cash used in investing activities	(33,978)	(276,057)
Cash flows from financing activities:		
Issuance of common stock	306,817	1,114
Dividends paid	(146,258)	(139,928)
Payments under unsecured credit facility	—	(124,000)
Issuance of mortgage notes payable and draws on construction loans	—	741,140
Repayments of mortgage notes payable	(27,930)	(27,774)
Repayment of unsecured notes	—	(206,173)
Payment of deferred financing costs	(2,218)	(7,727)
Redemption of units for cash by minority partners	—	(202)
Distributions to DownREIT partnership unitholders	(27)	(39)
Distributions to joint venture and profit-sharing partners	(100)	—
Net cash provided by financing activities	130,284	236,411
Net increase in cash and cash equivalents	268,030	150,082
Cash and cash equivalents, beginning of period	105,691	65,706
Cash and cash equivalents, end of period	$ 373,721	$ 215,788
Cash paid during the period for interest, net of amount capitalized	$ 78,009	$ 57,402

See accompanying notes to Condensed Consolidated Financial Statements.

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

During the six months ended June 30, 2010:

- As described in Note 4, “Stockholders’ Equity,” 102,984 shares of common stock valued at $7,777 were issued in connection with stock grants, 3,609 shares valued at $308 were issued through the Company’s dividend reinvestment plan, 45,165 shares valued at $3,812 were withheld to satisfy employees’ tax withholding and other liabilities, 1,300 shares valued at $38 were forfeited, 61,055 shares valued at $3,322 were issued to members of the board of directors in fulfillment of deferred stock awards for a net value of $7,556. In addition, the Company granted 126,484 options for common stock at a value of $2,460.
- The Company recorded an increase to other liabilities and a corresponding decrease to other comprehensive income of $135 and recorded an increase to prepaid expenses and other assets of $1,412, with a corresponding offset to the basis of unsecured notes, net to record the impact of the Company’s hedge accounting activity (as described in Note 5, “Derivative Instruments and Hedging Activities”).
- Common dividends declared but not paid totaled $75,944.
- The Company recorded an increase of $3,928 in redeemable noncontrolling interests with a corresponding decrease to accumulated earnings less dividends to adjust the redemption value associated with the put options held by joint venture partners and DownREIT partnership units. For further discussion of the nature and valuation of these items, see Note 11, “Fair Value”.

During the six months ended June 30, 2009:

- 2,624,641 shares of common stock valued at $139,058 were issued as part of the special dividend declared in the fourth quarter of 2008, 169,851 shares of common stock valued at $8,360 were issued in connection with stock grants, 5,623 shares valued at $307 were issued through the Company’s dividend reinvestment plan, 30,612 shares valued at $1,327 were withheld to satisfy employees’ tax withholding and other liabilities and 1,031 shares valued at $147 were forfeited, for a net value of $146,251. In addition, the Company granted 344,801 options for common stock at a value of $2,252.
- The Company recorded a decrease to other liabilities and a corresponding increase to other comprehensive income of $797 to record the impact of the Company’s hedge accounting activity.
- Common dividends declared but not paid totaled $71,346.
- The Company recorded a decrease of $2,827 in redeemable noncontrolling interests with a corresponding increase to accumulated earnings less dividends to adjust the redemption value associated with the put options held by joint venture partners and DownREIT partnership units.
- In May 2009, the Company obtained $93,440 in variable rate tax-exempt bond financing related to a Development Right (as defined elsewhere in this Form 10-Q), the proceeds of which will be held in escrow until requisitioned for construction funding. This loan provides an option for the Company to request an additional construction loan of up to $83,560 subject to the lender’s discretion.

AVALONBAY COMMUNITIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(Dollars in thousands, except per share data)

1. Organization, Basis of Presentation and Significant Accounting Policies

Organization and Basis of Presentation

AvalonBay Communities, Inc. (the “Company,” which term, unless the context otherwise requires, refers to AvalonBay Communities, Inc. together with its consolidated subsidiaries), is a Maryland corporation that elected to be taxed as a real estate investment trust (“REIT”) under the Internal Revenue Code of 1986 (“the Code”). The Company focuses on the development, acquisition, ownership and operation of apartment communities in high barrier to entry markets of the United States. These markets are located in the New England, Metro New York/New Jersey, Mid-Atlantic, Midwest, Pacific Northwest, and Northern and Southern California regions of the country.

At June 30, 2010, the Company owned or held a direct or indirect ownership interest in 164 operating apartment communities containing 47,401 apartment homes in ten states and the District of Columbia, of which seven communities containing 2,197 apartment homes were under reconstruction. In addition, the Company owned or held a direct or indirect ownership interest in seven communities under construction that are expected to contain an aggregate of 2,509 apartment homes when completed. The Company also owned or held a direct or indirect ownership interest in rights to develop an additional 28 communities that, if developed as expected, will contain an estimated 7,329 apartment homes.

The interim unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements required by GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited financial statements should be read in conjunction with the financial statements and notes included in the Company’s 2009 Annual Report on Form 10-K. The results of operations for the three and six months ended June 30, 2010 are not necessarily indicative of the operating results for the full year. Management believes the disclosures are adequate to ensure the information presented is not misleading. In the opinion of management, all adjustments and eliminations, consisting only of normal, recurring adjustments necessary for a fair presentation of the financial statements for the interim periods, have been included.

All capitalized terms have the meaning as provided elsewhere in this Form 10-Q.

Earnings per Common Share

Basic earnings per share is computed by dividing net income attributable to common stockholders by the weighted average number of shares outstanding during the period. All outstanding unvested restricted share awards contain rights to non-forfeitable dividends and participate in undistributed earnings with common shareholders and, accordingly, are considered participating securities that are included in the two-class method of computing basic earnings per share (“EPS”). Both the unvested restricted shares and other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis. The Company’s earnings per common share are determined as follows:

	For the three months ended		For the six months ended	
	6-30-10	6-30-09	6-30-10	6-30-09
Basic and diluted shares outstanding				
Weighted average common shares — basic	83,517,908	79,662,223	82,583,638	79,210,349
Weighted average DownREIT units outstanding	15,351	15,888	15,351	17,648
Effect of dilutive securities	711,846	364,183	649,006	670,290
Weighted average common shares — diluted	84,245,105	80,042,294	83,247,995	79,898,287
Calculation of Earnings per Share — basic				
Net income attributable to common stockholders	$ 51,125	$ 17,674	$ 123,648	$ 65,099
Net income allocated to unvested restricted shares	(143)	(56)	(368)	(206)
Net income attributable to common stockholders, adjusted	$ 50,982	$ 17,618	$ 123,280	$ 64,893
Weighted average common shares — basic	83,517,908	79,662,223	82,583,638	79,210,349
Earnings per common share — basic	$ 0.61	$ 0.22	$ 1.49	$ 0.82
Calculation of Earnings per Share — diluted				
Net income attributable to common stockholders	$ 51,125	$ 17,674	$ 123,648	$ 65,099
Add: noncontrolling interests of DownREIT unitholders in consolidated partnerships, including discontinued operations	14	14	27	39
Adjusted net income attributable to common stockholders	$ 51,139	$ 17,688	$ 123,675	$ 65,138
Weighted average common shares — diluted	84,245,105	80,042,294	83,247,995	79,898,287
Earnings per common share — diluted	$ 0.61	$ 0.22	$ 1.49	$ 0.82

Certain options to purchase shares of common stock in the amounts of 1,176,293 and 2,368,642 were outstanding at June 30, 2010 and 2009, respectively, but were not included in the computation of diluted earnings per share because such options were anti-dilutive.

The Company is required to estimate the forfeiture of stock options and recognize compensation cost net of the estimated forfeitures. The estimated forfeitures included in compensation cost are adjusted to reflect actual forfeitures at the end of the vesting period. The forfeiture rate at June 30, 2010 is based on the average forfeiture activity over a period equal to the estimated life of the stock options, and was 1.4%. The application of estimated forfeitures did not materially impact compensation expense for the three and six months ended June 30, 2010 or 2009.

Abandoned Pursuit Costs and Impairment of Long-Lived Assets

The Company capitalizes pre-development costs incurred in pursuit of new development opportunities for which the Company currently believes future development is probable ("Development Rights"). Future development of these Development Rights is dependent upon various factors, including zoning and regulatory approval, rental market conditions, construction costs and the availability of capital. Initial pre-development costs incurred for pursuits for which future development is not yet considered probable are expensed as incurred. In addition, if the status of a Development Right changes, making future development by the Company no longer probable, any capitalized pre-development costs are written off with a charge to expense. The Company expensed costs related to abandoned pursuits, which includes the abandonment of Development Rights as well as costs incurred in pursuing the disposition of assets for which the disposition did not occur, in the amounts of $443 and $2,281 for the three months ended June 30, 2010 and 2009, respectively and $947 and $3,375 for the six months ended June 30, 2010 and 2009, respectively. These costs are included in operating expenses, excluding property taxes on the accompanying Condensed Consolidated Statements of Operations and Other Comprehensive Income. Abandoned pursuit costs can vary greatly, and the costs incurred in any given period may be significantly different in future years.

The Company evaluates its real estate and other long-lived assets for impairment when potential indicators of impairment exist. Such assets are stated at cost, less accumulated depreciation and amortization, unless the carrying amount of the asset is not recoverable. If events or circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the Company assesses its recoverability by comparing the carrying amount of the long-lived asset to its estimated undiscounted future cash flows. If the carrying amount exceeds the aggregate undiscounted future cash flows, the Company recognizes an impairment loss to the extent the carrying amount exceeds the estimated fair value of the long-lived asset. Based on periodic tests of recoverability of long-lived assets, the Company did not record any impairment losses for the three and six months ended June 30, 2010. In the second quarter of 2009, the Company concluded that the economic downturn and the related decline in employment levels did not support the development and construction of certain new apartment communities previously in planning. As a result the Company recognized a charge of $20,302 related to the impairment of two land parcels for which the Company decided not to pursue development. The Company looked to third-party pricing estimates to determine the fair values of the land parcels considered to be impaired. Given the heterogeneous nature of multifamily real estate, the third-party values incorporated the use of estimated rates of return, investment time horizons and sales prices for land parcels considered to be market comparables, adjusted for known differences in critical areas including the existing entitlements (such as zoning and state of infrastructure readiness), all of which are considered significant other unobservable inputs and are therefore classified as Level 3 prices in the fair value hierarchy. In 2009, the Company also recognized a charge for severance related costs associated with this reduction in planned development activity of approximately $2,000, reported as a component of general and administrative expense. However, as a result of improved economic conditions, the Company expects to increase its investment activity for the balance of 2010, allowing the Company to retain staff previously expected to depart. Therefore certain planned terminations are no longer expected to take place, resulting in a decline of $1,550 in accrued severance recorded as a reduction in general and administrative expenses in the three and six months ended June 30, 2010.

Legal and Other Contingencies

As previously reported, on August 13, 2008 the U.S. Attorney's Office for the Southern District of New York filed a civil lawsuit against the Company and the joint venture in which it has an interest that owns Avalon Chrystie Place. The lawsuit alleges that Avalon Chrystie Place was not designed and constructed in accordance with the accessibility requirements of the Fair Housing Act ("FHA"). The Company designed and constructed Avalon Chrystie Place with a view to compliance with New York City's Local Law 58, which for more than 20 years has been New York City's code regulating the accessible design and construction of apartments. After the filing of its answer and affirmative defenses, during the fourth quarter of 2009 the plaintiff served the Company with discovery requests relating to communities owned by the Company nationwide. The Company objected to these discovery requests as being overly broad, as the plaintiff's complaint made factual allegations with regard to Avalon Chrystie Place only. A magistrate judge agreed with the Company and limited discovery to Avalon Chrystie Place. The plaintiff is appealing the magistrate judge's ruling. Due to the preliminary nature of this matter, including whether the scope of the suit will be extended to other properties, the Company cannot predict or determine the outcome of this matter, nor is it reasonably possible to estimate the amount of loss, if any, that would be associated with an adverse decision or settlement.

The Company accounts for recoveries from legal matters as a reduction in the legal and related costs incurred associated with the matter, with recoveries in excess of these costs reported as a gain or, where appropriate, a reduction in the basis of a community to which the suit related. During the second quarter of 2010, the Company recognized receipt of settlement proceeds of $3,300 related to environmental contamination matters pursued by the Company. The Company reported $1,200 of these recoveries as a reduction in the legal and professional fees related to costs incurred in pursuit of the matters during 2010 and years prior as a component of general and administrative expense, with the remainder of the recovery reported as a reduction in the associated capitalized basis of the related communities.

In addition to the outstanding litigation described above, the Company is involved in various other claims and/or administrative proceedings that arise in the ordinary course of the Company's business. While no assurances can be given, the Company does not believe that any of these other outstanding litigation matters, individually or in the aggregate, will have a material adverse effect on the Company's operations.

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to amounts in prior period financial statements to conform to current period presentations.

2. Interest Capitalized

The Company capitalizes interest during the development and redevelopment of real estate assets. Capitalized interest associated with the Company's development or redevelopment activities totaled $9,655 and $13,677 for the three months ended June 30, 2010 and 2009, respectively and $19,491 and $26,045 for the six months ended June 30, 2010 and 2009, respectively.

3. Notes Payable, Unsecured Notes and Credit Facility

The Company's mortgage notes payable, unsecured notes and Credit Facility, as defined below, as of June 30, 2010 and December 31, 2009, are summarized below. The following amounts and discussion do not include the mortgage notes related to the communities classified as held for sale, if any, as of June 30, 2010 and December 31, 2009, as shown in the Condensed Consolidated Balance Sheets (see Note 7, "Real Estate Disposition Activities").

	6-30-10	12-31-09
Fixed rate unsecured notes (1)	$ 1,358,437	$ 1,358,257
Variable rate unsecured notes (2)	301,184	299,772
Fixed rate mortgage notes payable — conventional and tax-exempt	1,562,463	1,632,605
Variable rate mortgage notes payable — conventional and tax-exempt	726,450	684,238
Total notes payable and unsecured notes	3,948,534	3,974,872
Credit Facility	—	—
Total mortgage notes payable, unsecured notes and Credit Facility	$ 3,948,534	$ 3,974,872

(1) Balances at June 30, 2010 and December 31, 2009 include $2,040 and $2,220 of debt discount.

(2) Balances at June 30, 2010 and December 31, 2009 include $1,184 and ($228) for basis adjustments resulting from qualifying fair value hedging relationships.

The following debt activity occurred during the six months ended June 30, 2010:

- In February 2010, the Company repaid a 6.47% fixed rate secured mortgage note in the amount of $13,961 in advance of its March 2012 scheduled maturity date.
- In March 2010, the Company repaid a 6.95% fixed rate secured mortgage note in the amount of $11,226 in advance of its February 2025 scheduled maturity date.

In the aggregate, secured notes payable mature at various dates from October 2010 through July 2066, and are secured by certain apartment communities and improved land parcels (with a net carrying value of $1,832,734 as of June 30, 2010). As of June 30, 2010, the Company has guaranteed approximately $409,256 of mortgage notes payable held by wholly owned subsidiaries; all such mortgage notes payable are consolidated for financial reporting purposes. The weighted average interest rate of the Company's fixed rate mortgage notes payable (conventional and tax-exempt) was 5.0% at June 30, 2010 and 5.1% at December 31, 2009. The weighted average interest rate of the Company's variable rate mortgage notes payable and its Credit Facility, including the effect of certain financing related fees, was 2.4% at June 30, 2010 and 2.9% at December 31, 2009.

Scheduled payments and maturities of mortgage notes payable and unsecured notes outstanding at June 30, 2010 are as follows:

Year	Secured notes payments(1)	Secured notes maturities	Unsecured notes maturities	Stated interest rate of unsecured notes
2010	$ 2,520	$ 28,989	$ 14,576	7.500%
			75,000	7.317%(2)
2011	10,776	36,610	39,900	6.625%
			150,000	5.946%(2)
2012	14,034	108,224	201,601	6.125%
			104,400	5.500%
			75,000	4.377%(2)
2013	14,876	264,697	100,000	4.950%
2014	15,769	33,100	150,000	5.375%
2015	14,725	365,130	—	—
2016	15,600	—	250,000	5.750%
2017	16,533	18,300	250,000	5.700%
2018	17,522	—	—	—
2019	2,588	699,529	—	—
Thereafter	110,707	498,684	250,000	6.100%
	$ 235,650	$ 2,053,263	$ 1,660,477	

(1) Secured note payments are comprised of the principal pay downs for amortizing mortgage notes.

(2) The weighted average interest rate for the swapped unsecured notes as of June 30, 2010.

The Company has a variable rate unsecured credit facility (the “Credit Facility”) in the amount of $1,000,000 with a syndicate of commercial banks, to whom the Company pays an annual facility fee of approximately $1,250. The Company did not have any amounts outstanding under the Credit Facility and had $57,076 outstanding in letters of credit as of June 30, 2010. At December 31, 2009, there were no amounts outstanding under the Credit Facility and $44,105 outstanding in letters of credit. The Credit Facility bears interest at varying levels based on the London Interbank Offered Rate (“LIBOR”), rating levels achieved on the Company’s unsecured notes and on a maturity schedule selected by the Company. The current stated pricing is LIBOR plus 0.40% per annum (0.75% at June 30, 2010). The Credit Facility matures in November 2011, assuming exercise of a one-year renewal option which is at the sole discretion of the Company.

The Company was in compliance at June 30, 2010 with certain customary financial and other covenants under the Credit Facility and the Company’s unsecured notes.

4. Stockholders' Equity

The following summarizes the changes in stockholders' equity for the six months ended June 30, 2010:

	Common stock	Additional paid-in capital	Accumulated earnings less dividends	Accumulated other comprehensive loss	Total AvalonBay stockholders' equity
Balance at December 31, 2009	$ 815	$ 3,200,367	$ (149,988)	$ (1,067)	$ 3,050,127
Net income attributable to common stockholders	—	—	123,648	—	123,648
Unrealized loss on cash flow hedges	—	—	—	(135)	(135)
Change in redemption value of redeemable noncontrolling interest	—	—	(3,928)	—	(3,928)
Dividends declared to common stockholders	—	—	(149,737)	—	(149,737)
Issuance of common stock, net of withholdings	36	306,484	76	—	306,596
Amortization of deferred compensation	—	8,338	—	—	8,338
Balance at June 30, 2010	$ 851	$ 3,515,189	$ (179,929)	$ (1,202)	$ 3,334,909

During the six months ended June 30, 2010, the Company:

(i) issued 3,003,504 shares of common stock through public offerings;

(ii) issued 425,090 shares of common stock in connection with stock options exercised;

(iii) issued 3,609 common shares through the Company's dividend reinvestment plan;

(iv) issued 102,984 common shares in connection with stock grants;

(v) issued 61,055 shares to a retiring member of the Board of Directors in fulfillment of deferred stock awards;

(vi) withheld 45,165 common shares to satisfy employees' tax withholding and other liabilities; and

(vii) redeemed 1,300 shares of restricted common stock upon forfeiture.

In addition, the Company granted 126,484 options for common stock to employees. Any deferred compensation related to the Company's stock option and restricted stock grants during the six months ended June 30, 2010 is not reflected on the Company's Condensed Consolidated Balance Sheet as of June 30, 2010, and will not be reflected until earned as compensation cost.

In August 2009, the Company commenced a continuous equity program (the "CEP"), under which the Company was authorized up to $400,000 of its common stock until August 2012. During the three and six months ended June 30, 2010, the Company sold 2,111,819 and 3,003,504 shares under this program at an average sales price of $100.68 and $95.76 per share, for net proceeds of $209,428 and $283,298, respectively. In July 2010, the Company completed the currently-registered amount of sales under the program, selling $400,000 of common stock cumulatively through July 2010. See Note 12, "Subsequent Events".

5. Derivative Instruments and Hedging Activities

The Company enters into interest rate swap and interest rate cap agreements (collectively, the "Hedging Derivatives") for interest rate risk management purposes and in conjunction with certain variable rate secured debt to satisfy lender requirements. The Company does not enter into derivative transactions for trading or other speculative purposes. The following table summarizes the consolidated Hedging Derivatives at June 30, 2010, excluding derivatives executed to hedge debt on communities classified as held for sale (dollars in thousands):

	Non-designated Hedges	Cash Flow Hedges	Fair Value Hedges
	Interest Rate Caps	Interest Rate Caps	Interest Rate Swaps
Notional balance	$ 109,847	$ 151,963	$ 300,000
Weighted average interest rate (1)	1.5%	2.6%	5.9%
Weighted average capped interest rate	6.9%	5.0%	N/A
Earliest maturity date	Apr-11	Jun-12	Dec-10
Latest maturity date	Mar-14	Jun-15	Jan-12
Estimated fair value, asset/(liability)	$ 39	$ 632	$ 1,184

(1) For interest rate caps, this represents the weighted average interest rate on the debt.

Excluding derivatives executed to hedge debt on communities classified as held for sale, the Company had four derivatives designated as cash flow hedges, five derivatives designated as fair value hedges and five derivatives not designated as hedges at June 30, 2010. Fair value changes for derivatives that are not in qualifying hedge relationships are reported as a component of general and administrative expenses on the accompanying Condensed Consolidated Statements of Operations and Other Comprehensive Income. Fair value changes for derivatives not in qualifying hedge relationships for the six months ended June 30, 2010, were not material. For the derivative positions that the Company has determined qualify as effective cash flow hedges, the Company has recorded the effective portion of cumulative changes in the fair value of the Hedging Derivatives in other comprehensive income. Amounts recorded in other comprehensive income will be reclassified into earnings in the periods in which earnings are affected by the hedged cash flow. To adjust the Hedging Derivatives in qualifying cash flow hedges to their fair value and recognize the impact of hedge accounting, the Company recorded a decrease in other comprehensive income of $135 and an increase of $797 during the six months ended June 30, 2010 and 2009, respectively. The amount reclassified into earnings for the six months ended June 30, 2010, as well as the estimated amount included in accumulated other comprehensive income as of June 30, 2010, expected to be reclassified into earnings within the next twelve months to offset the variability of cash flows of the hedged items during this period are not material. For the derivative positions that the Company has determined qualify as effective fair value hedges, the Company has recorded an increase in the fair value of $1,184 with the derivatives fair value reported as a component of prepaid expenses and other assets, with the associated gain as an adjustment to the carrying amount of the corresponding debt being hedged on the accompanying Condensed Consolidated Balance Sheets as of June 30, 2010.

The Company assesses, both at inception and on an on-going basis, the effectiveness of qualifying cash flow and fair value hedges. Hedge ineffectiveness, reported as a component of general and administrative expenses, did not have a material impact on earnings of the Company for any prior period, and the Company does not anticipate that it will have a material effect in the future. The fair values of the Hedging Derivatives and non-designated derivatives that are in an asset position are recorded in prepaid expenses and other assets. The fair value of derivatives that are in a liability position are included in accrued expenses and other liabilities on the accompanying Condensed Consolidated Balance Sheets.

Derivative financial instruments expose the Company to credit risk in the event of nonperformance by the counterparties under the terms of the Hedging Derivatives. The Company minimizes its credit risk on these transactions by dealing with major, creditworthy financial institutions which have an A+ or better credit rating by the Standard & Poor's Ratings Group. As part of its on-going control procedures, the Company monitors the credit ratings of counterparties and the exposure of the Company to any single entity, thus minimizing credit risk concentration. The Company believes the likelihood of realizing losses from counterparty non-performance is remote. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements of its derivative financial instruments. Refer to Note 11, "Fair Value," for further discussion.

6. Investments in Real Estate Entities

As of June 30, 2010, the Company had investments in six unconsolidated real estate entities with ownership interest percentages ranging from 15.2% to 50%. There were no changes in the Company's ownership interest in, or presentation of, its investments in unconsolidated real estate entities during the six months ended June 30, 2010.

Detail of the real estate and associated funding underlying the Company's unconsolidated investments is presented in the following table (unaudited).

	Unconsolidated Real Estate Investments	Company Ownership Percentage	# of Apartment Homes	Total Capitalized Cost (1)	Debt Amount (2)	Debt Type	Debt Interest Rate (3)	Debt Maturity Date
Fund I								
1.	Avalon at Redondo Beach — Los Angeles, CA		105	$ 24,622	$ 21,033	Fixed	4.87%	Oct 2011
2.	Avalon Lakeside — Chicago, IL		204	18,304	12,056	Fixed	5.74%	Mar 2012
3.	Avalon Columbia — Baltimore, MD		170	29,366	22,275	Fixed	5.48%	Apr 2012
4.	Avalon Sunset — Los Angeles, CA		82	20,903	12,750	Fixed	5.41%	Mar 2014
5.	Avalon at Poplar Creek — Chicago, IL		196	28,093	16,500	Fixed	4.83%	Oct 2012
6.	Avalon at Civic Center — Norwalk, CA		192	42,756	27,001	Fixed	5.38%	Aug 2013
7.	Avalon Paseo Place — Fremont, CA		134	24,832	11,800	Fixed	5.74%	Nov 2013
8.	Avalon at Yerba Buena — San Francisco, CA		160	66,791	41,500	Fixed	5.88%	Mar 2014
9.	Avalon at Aberdeen Station — Aberdeen, NJ		290	58,300	39,842	Fixed	5.64%	Sep 2013
10.	The Springs — Corona, CA		320	48,392	26,000	Fixed	6.06%	Oct 2014
11.	Avalon Lombard — Lombard, IL		256	35,319	17,243	Fixed	5.43%	Jan 2014
12.	Avalon Cedar Place — Columbia, MD		156	24,439	12,000	Fixed	5.68%	Feb 2014
13.	Avalon Centerpoint — Baltimore, MD		392	79,606	45,000	Fixed	5.74%	Dec 2013
14.	Middlesex Crossing — Billerica, MA		252	38,062	24,100	Fixed	5.49%	Dec 2013
15.	Avalon Crystal Hill — Ponoma, NY		168	38,606	24,500	Fixed	5.43%	Dec 2013
16.	Avalon Skyway — San Jose, CA		348	78,179	37,500	Fixed	6.11%	Mar 2014
17.	Avalon Rutherford Station — East Rutherford, NJ		108	36,794	19,943	Fixed	6.13%	Sep 2016
18.	South Hills Apartments — West Covina, CA		85	24,756	11,761	Fixed	5.92%	Oct 2013
19.	Weymouth Place — Weymouth, MA		211	25,298	13,455	Fixed	5.12%	Mar 2015
	Total Fund I	15.2%	3,829	$ 743,418	$ 436,259		5.6%	
Fund II								
1.	Avalon Bellevue Park — Bellevue, WA		220	$ 33,852	$ 21,515	Fixed	5.52%	Jun 2019
2.	The Hermitage — Fairfax, VA		491	71,815	42,600	Fixed	5.26%	May 2017
3.	Avalon Rothbury — Gaithersburg, MD		203	31,259	18,750	Variable	2.94%	Jun 2017
	Fund II corporate debt		N/A	N/A	1,500	Variable	2.85%	2010(4)
	Total Fund II	31.3%	914	$ 136,926	$ 84,365		4.8%	
Other Operating Joint Ventures								
1.	Avalon Chrystie Place I — New York, NY (5)	20.0%	361	$ 135,325	$ 117,000	Variable	0.97%	Nov 2036
2.	Avalon at Mission Bay North II — San Francisco, CA (6)	25.0%	313	124,014	105,000	Fixed	6.02%	Dec 2015
3.	Avalon Del Rey — Los Angeles, CA	30.0%	309	70,037	45,506	Variable	3.69%	Apr 2016
Other Development Joint Ventures								
1.	Aria at Hathorne — Danvers, MA (6) (7)	50.0%	64	N/A	1,860	Variable	4.19%	Jun 2010 (8)
	Total Other Joint Ventures		1,047	$ 329,376	$ 269,366		3.4%	
	Total Unconsolidated Investments		5,790	$ 1,209,720	$ 789,990		4.8%	

(1) Represents total capitalized cost as of June 30, 2010.

(2) The Company has not guaranteed the debt of its unconsolidated investees and bears no responsibility for the repayment, other than the construction and completion and related financing guarantee for Avalon Chrystie Place I associated with the construction completion and occupancy certificate.

(3) Represents weighted average rate on outstanding debt.

(4) As of June 30, 2010, these borrowings are drawn under an unsecured credit facility maturing in December 2011, assuming exercise of a one-year extension option.

(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.

(7) After the venture makes certain threshold distributions to the Company, the Company receives 50% of all further distributions.

(8) The loan for this venture matured in June 2010. As of June 30, 2010, the amounts under this borrowing have not been repaid. The venture is negotiating an extension or refinancing of the amounts outstanding. The lender has not to date declared an event of default with respect to the note or required the venture to pay a default rate of interest. Although the Company bears no responsibility to repay the amounts outstanding, the Company has the right to cure any event of default by the venture.

The following is a combined summary of the financial position of the entities accounted for using the equity method, as of the dates presented:

	6-30-10 (unaudited)	12-31-09 (unaudited)
Assets:		
Real estate, net	$ 1,098,125	$ 1,065,328
Other assets	41,046	39,502
Total assets	$ 1,139,171	$ 1,104,830
Liabilities and partners' capital:		
Mortgage notes payable and credit facility	$ 789,990	$ 758,487
Other liabilities	20,400	19,669
Partners' capital	328,781	326,674
Total liabilities and partners' capital	$ 1,139,171	$ 1,104,830

The following is a combined summary of the operating results of the entities accounted for using the equity method, for the periods presented:

	For the three months ended (unaudited)		For the six months ended (unaudited)	
	6-30-10	6-30-09	6-30-10	6-30-09
Rental and other income	$ 27,510	$ 26,613	$ 54,543	$ 51,769
Operating and other expenses	(12,363)	(13,727)	(25,791)	(25,583)
Interest expense, net	(9,894)	(9,279)	(19,383)	(18,181)
Depreciation expense	(8,937)	(8,222)	(17,918)	(16,028)
Net loss	$ (3,684)	$ (4,615)	$ (8,549)	$ (8,023)

In conjunction with the formation of Fund I and Fund II, as well as the acquisition and development of certain investments in unconsolidated entities, the Company incurred costs in excess of its equity in the underlying net assets of the respective investments. These costs represent $10,846 at June 30, 2010 and $11,047 at December 31, 2009 of the respective investment balances.

As part of the formation of the AvalonBay Value Added Fund, LP ("Fund I") and the AvalonBay Value Added Fund II, LP ("Fund II"), the Company provided separate and distinct guarantees to one of the limited partners in each of the ventures. These guarantees are specific to the respective fund and any impacts or obligation of the Company to perform under one of the guarantees has no impact on the Company's obligations with respect to the other guarantee. The guarantees provide that, if, upon final liquidation of Fund I or Fund II, the total amount of all distributions to the guaranteed partner during the life of the respective fund (whether from operating cash flow or property sales) does not equal the total capital contributions made by that partner, then the Company will pay the guaranteed partner an amount equal to the shortfall, but in no event more than 10% of the total capital contributions made by the guaranteed partner (maximum of approximately $7,500 for Fund I and approximately $1,470 for Fund II as of June 30, 2010). As of June 30, 2010, the expected realizable values of the real estate assets owned by Fund I and Fund II are considered adequate to cover such potential payments under a liquidation scenario. The estimated fair value of, and the Company's obligation under these guarantees, both at inception and as of June 30, 2010, was not significant and therefore the Company has not recorded any obligation for either of these guarantees as of June 30, 2010.

7. Real Estate Disposition Activities

During the three months ended June 30, 2010, the Company sold one community, Avalon on the Sound in New Rochelle, New York. Avalon on the Sound was developed by the Company in 2001 as a joint venture in which the Company held a 25% interest. The Company purchased its partner's 75% interest in 2005 and sold the entire community in the second quarter of 2010 for $107,500. This disposition resulted in a gain in accordance with GAAP of approximately $19,584. The Company retains ownership of Avalon on the Sound East, a 588 home apartment community adjacent to Avalon on the Sound. As of June 30, 2010, the Company did not have any communities that qualified as held for sale.

As disclosed in the Company's first quarter 2010 Form 10-Q, in April 2010, the Company settled a lawsuit relating to the Company's former Avalon Wynhaven community, which was sold in 2008. In conjunction with the settlement the Company made payments to the homeowners association and an indemnification payment to the buyer of Avalon Wynhaven in the aggregate of approximately $1,350. The Company previously had deferred recognition of $3,272 from the gain in disposition related to these costs. In the second quarter of 2010, the Company recognized the remainder of the deferred gain as part of gain on sale of communities in the Condensed Consolidated Statements of Operations and Other Comprehensive Income.

The operations for any real estate assets sold from January 1, 2009 through June 30, 2010 have been presented as income from discontinued operations in the accompanying Condensed Consolidated Statements of Operations and Other Comprehensive Income. Accordingly, certain reclassifications have been made to prior years to reflect discontinued operations consistent with current year presentation.

The following is a summary of income from discontinued operations for the periods presented:

	For the three months ended		For the six months ended	
	6-30-10	6-30-09	6-30-10	6-30-09
Rental income	$ 548	$ 9,885	$ 3,750	$ 19,831
Operating and other expenses	(304)	(3,153)	(1,510)	(6,389)
Interest expense, net	—	(505)	—	(683)
Depreciation expense	—	(2,563)	—	(5,130)
Income from discontinued operations	$ 244	$ 3,664	$ 2,240	$ 7,629

8. Segment Reporting

The Company's reportable operating segments include Established Communities, Other Stabilized Communities, and Development/Redevelopment Communities. Annually as of January 1st, the Company determines which of its communities fall into each of these categories and maintains that classification, unless disposition plans regarding a community change, throughout the year for the purpose of reporting segment operations.

In addition, the Company owns land for future development and has other corporate assets that are not allocated to an operating segment.

The Company's segment disclosures present the measure(s) used by the chief operating decision maker for purposes of assessing each segments' performance. The Company's chief operating decision maker is comprised of several members of its executive management team who use net operating income ("NOI") as the primary financial measure for Established Communities and Other Stabilized Communities. NOI is defined by the Company as total revenue less direct property operating expenses. Although the Company considers NOI a useful measure of a community's or communities' operating performance, NOI should not be considered an alternative to net income or net cash flow from operating activities, as determined in accordance with GAAP. NOI excludes a number of income and expense categories as detailed in the reconciliation of NOI to net income.

A reconciliation of NOI to net income for the three and six months ended June 30, 2010 and 2009 is as follows:

	For the three months ended		For the six months ended	
	6-30-10	6-30-09	6-30-10	6-30-09
Net income	$ 51,066	$ 16,723	$ 123,432	$ 63,824
Indirect operating expenses, net of corporate income	7,849	7,362	15,080	15,936
Investments and investment management expense	1,047	907	2,086	1,822
Expensed development and other pursuit costs	443	2,281	947	3,375
Interest expense, net	41,458	36,880	83,999	67,010
Gain on extinguishment of debt, net	—	—	—	(1,062)
General and administrative expense	4,041	5,390	12,936	12,637
Equity in income of unconsolidated entities	(463)	(492)	(689)	(3,949)
Depreciation expense	57,479	51,174	113,574	101,247
Impairment loss — land holdings	—	20,302	—	20,302
Gain on sale of real estate assets	(21,929)	—	(72,220)	—
Income from discontinued operations	(244)	(3,664)	(2,240)	(7,629)
Net operating income	$ 140,747	$ 136,863	$ 276,905	$ 273,513

The primary performance measure for communities under development or redevelopment depends on the stage of completion. While under development, management monitors actual construction costs against budgeted costs as well as lease-up pace and rent levels compared to budget.

The following table provides details of the Company's segment information as of the dates specified. The segments are classified based on the individual community's status as of the beginning of the given calendar year. Therefore, each year the composition of communities within each business segment is adjusted. Accordingly, the amounts between years are not directly comparable. Segment information for the three and six months ended June 30, 2010 and 2009 have been adjusted for the communities that were sold from January 1, 2009 through June 30, 2010, or otherwise qualify as discontinued operations as of June 30, 2010, as described in Note 7, "Real Estate Disposition Activities".

	For the three months ended				For the six months ended			
	Total revenue	NOI	% NOI change from prior year	Gross real estate (1)	Total revenue	NOI	% NOI change from prior year	Gross real estate (1)
For the period ended June 30, 2010								
Established								
New England	$ 35,654	$ 22,300	(2.3%)	$ 1,094,054	$ 70,847	$ 43,944	(3.4%)	$ 1,094,054
Metro NY/NJ	45,287	30,589	(4.5%)	1,389,706	89,677	60,096	(4.0%)	1,389,706
Mid-Atlantic/Midwest	29,931	18,665	0.7%	751,070	59,322	36,211	(2.4%)	751,070
Pacific Northwest	6,614	4,249	(14.1%)	239,836	13,231	8,675	(14.5%)	239,836
Northern California	29,537	20,245	(7.2%)	1,109,337	58,952	40,403	(11.0%)	1,109,337
Southern California	14,686	9,431	(7.8%)	467,668	29,459	19,137	(8.8%)	467,668
Total Established	161,709	105,479	(4.4%)	5,051,671	321,488	208,466	(6.0%)	5,051,671
Other Stabilized	30,006	18,146	N/A	1,558,293	58,924	35,014	N/A	1,558,293
Development / Redevelopment	27,069	17,122	N/A	1,497,779	52,110	33,425	N/A	1,497,779
Land Held for Future Development	N/A	N/A	N/A	237,529	N/A	N/A	N/A	237,529
Non-allocated (2)	1,684	N/A	N/A	87,487	3,533	N/A	N/A	87,487
Total	$ 220,468	$ 140,747	2.8%	$ 8,432,759	$ 436,055	$ 276,905	1.2%	$ 8,432,759
For the period ended June 30, 2009								
Established								
New England	$ 30,712	$ 19,366	(8.6%)	$ 857,417	$ 61,353	$ 38,629	(5.9%)	$ 857,417
Metro NY/NJ	39,408	27,308	(3.7%)	1,047,187	78,948	53,588	(3.8%)	1,047,187
Mid-Atlantic/Midwest	30,519	18,954	(4.2%)	774,189	61,048	38,109	(2.7%)	774,189
Pacific Northwest	7,172	4,959	(6.8%)	238,554	14,554	10,173	(3.3%)	238,554
Northern California	24,975	18,161	(5.1%)	855,406	50,831	37,589	(1.8%)	855,406
Southern California	15,776	10,906	(8.6%)	426,653	31,891	22,252	(7.1%)	426,653
Total Established	148,562	99,654	(5.7%)	4,199,406	298,625	200,340	(4.0%)	4,199,406
Other Stabilized	31,760	20,268	N/A	1,428,158	62,757	40,078	N/A	1,428,158
Development / Redevelopment	29,860	16,941	N/A	2,039,259	57,065	33,095	N/A	2,039,259
Land Held for Future Development	N/A	N/A	N/A	225,634	N/A	N/A	N/A	225,634
Non-allocated (2)	2,077	N/A	N/A	62,976	3,545	N/A	N/A	62,976
Total	$ 212,259	$ 136,863	0.7%	$ 7,955,433	$ 421,992	$ 273,513	3.3%	$ 7,955,433

(1) Does not include gross real estate assets held for sale of $0 and $325,009 as of June 30, 2010 and 2009, respectively.

(2) Revenue represents third-party management, asset management and developer fees and miscellaneous income which are not allocated to a reportable segment.

9. Stock-Based Compensation Plans

Information with respect to stock options granted under the Company's 1994 Stock Option and Incentive Plan (the "1994 Plan") and under the AvalonBay Communities, Inc. 2009 Stock Option and Incentive Plan (the "2009 Plan") are as follows:

	2009 Plan shares	Weighted average exercise price per share	1994 Plan shares	Weighted average exercise price per share
Options Outstanding, December 31, 2009	—	$ —	2,836,254	$ 80.76
Exercised	—	—	(425,090)	55.87
Granted	126,484	74.20	—	—
Forfeited	—	—	(33,626)	99.45
Options Outstanding, June 30, 2010	126,484	$ 74.20	2,377,538	$ 84.95
Options Exercisable June 30, 2010	—	N/A	2,027,198	$ 88.81

The weighted average fair value of the options granted under the 2009 Plan during the six months ended June 30, 2010 is estimated at $19.45 per share on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: dividend yield of 5.5% over the expected life of the option, volatility of 43.00%, risk-free interest rate of 3.15% and an expected life of approximately seven years.

At June 30, 2010, the Company had 234,226 outstanding unvested shares granted under restricted stock awards. The Company issued 102,984 shares of restricted stock valued at $7,777 as part of its stock-based compensation plan during the six months ended June 30, 2010. Restricted stock vesting during the six months ended June 30, 2010 totaled 113,398 shares and had fair values at the grant date ranging from $48.60 to $147.75 per share. The total fair value of shares vested was $9,467 and $10,103 for the six months ended June 30, 2010 and 2009, respectively.

Total employee stock-based compensation cost recognized in income was $5,166 and $6,212 for the six months ended June 30, 2010 and 2009, respectively, and total capitalized stock-based compensation cost was $2,592 and $3,095 for the six months ended June 30, 2010 and 2009, respectively. At June 30, 2010, there was a total of $2,461 and $7,804 in unrecognized compensation cost for unvested stock options and unvested restricted stock, respectively, which does not include estimated forfeitures. The unrecognized compensation cost for unvested stock options and restricted stock is expected to be recognized over a weighted average period of 1.92 years and 2.52 years, respectively.

Deferred Stock Performance Plan

The total cost recognized in earnings in connection with the multi-year performance plan implemented by the Company in 2008 was $853 and $876 for the six months ended June 30, 2010 and 2009, respectively, and total capitalized stock-based compensation cost was $466 and $498 for the six months ended June 30, 2010 and 2009, respectively.

10. Related Party Arrangements

Unconsolidated Entities

The Company manages unconsolidated real estate entities for which it receives asset management, property management, development and redevelopment fee revenue. From these entities, the Company received fees of $1,684 and $2,077 in the three months ended June 30, 2010 and 2009, respectively and $3,533 and $3,545 for the six months ended June 30, 2010 and 2009, respectively. These fees are included in management, development and other fees on the accompanying Condensed Consolidated Statements of Operations and Other Comprehensive Income. In addition, the Company has outstanding receivables associated with its management role of $2,558 and $2,811 as of June 30, 2010 and 2009, respectively.

Director Compensation

The Company recorded non-employee director compensation expense relating to the restricted stock grants and deferred stock awards in the amount of $219 and $433 for the three and six months ended June 30, 2010 as a component of general and administrative expense. Deferred compensation relating to these restricted stock grants and deferred stock awards was $687 and $365 on June 30, 2010 and December 31, 2009, respectively.

11. Fair Value

Financial Instruments Carried at Fair Value

Derivative Financial Instruments

Currently, the Company uses interest rate swap and interest rate cap agreements to manage its interest rate risk. These instruments are carried at fair value in the Company's financial statements. See Note 5, "Derivative Instruments and Hedging Activities," for derivative values at June 30, 2010 and a description of where these amounts are recorded in the financial statements. In adjusting the fair value of its derivative contracts for the effect of counterparty nonperformance risk, the Company has considered the impact of its net position with a given counterparty, as well as any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees. Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives use Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by itself and its counterparties. As of June 30, 2010, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined it is not significant. As a result, the Company has determined that its derivative valuations are classified in Level 2 of the fair value hierarchy.

Redeemable Noncontrolling Interests

- Puts — The Company provided redemption options (the "Puts") that allow two of the Company's joint venture partners to require the Company to purchase their interests in the investments at the future fair market value. One Put is payable in cash or, at the Company's option, common stock of the Company, and the second is payable in cash. The Company determines the fair value of the Puts based on unobservable inputs considering the assumptions that market participants would make in pricing the obligations. The Company applies discount factors to the estimated future cash flows of the asset underlying the associated joint venture, which in the case of the Puts is the NOI from an apartment community, as well as potential disposition proceeds utilizing market capitalization rates, to derive the fair value of the position. Given the significance of the unobservable inputs, the valuations are classified in Level 3 of the fair value hierarchy. At December 31, 2009, the Puts' aggregate fair value was $4,101. At June 30, 2010, the aggregate fair value of the Puts was $7,512.
- DownREIT units — The Company issued units of limited partnership interest in DownREITs which provide the DownREIT limited partners the ability to present all or some of their units for redemption for a cash amount as determined by the applicable partnership agreement. Under the DownREIT agreements, for each limited partnership unit, the limited partner is entitled to receive cash in the amount equal to the fair value of the Company's common stock on or about the date of redemption. In lieu of cash redemption, the Company may elect to exchange such units for an equal number of shares in the Company's common stock. The limited partnership units in DownREITs are valued using the market price of the Company's common stock, a Level 1 price under the fair value hierarchy. At December 31, 2009, the fair value of the DownREIT units was $1,260. At June 30, 2010, the fair value of the DownREIT units was $1,433.

Financial Instruments Not Carried at Fair Value

Cash and Cash Equivalents

Cash and cash equivalent balances are held with various financial institutions within principal protected accounts. The Company monitors credit ratings of these financial institutions and the concentration of cash and cash equivalent balances with any one financial institution and believes the likelihood of realizing material losses related to cash and cash equivalent balances is remote. Cash and cash equivalents are carried at their face amounts, which reasonably approximate their fair values.

Other Financial Instruments

Rents receivable, accounts and construction payable and accrued expenses and other liabilities are carried at their face amounts, which reasonably approximate their fair values.

The Company values its bond indebtedness, notes payable and outstanding amounts under the Credit Facility using a discounted cash flow analysis on the expected cash flows of each instrument. This analysis reflects the contractual terms of the instrument, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The process also considers credit valuation adjustments to appropriately reflect the Company's nonperformance risk. The Company has concluded that the value of its bond indebtedness and notes payable are Level 2 prices as the majority of the inputs used to value its positions fall within Level 2 of the fair value hierarchy. Bond indebtedness, notes payable and outstanding amounts under the Credit Facility (as applicable) with an aggregate outstanding par amount of approximately $3,949,390 and $3,977,320 had an estimated aggregate fair value of $4,114,870 and $4,052,817 at June 30, 2010 and December 31, 2009, respectively.

12. Subsequent Events

The Company has evaluated subsequent events through the date on which this Form 10-Q was filed, the date on which these financial statements were issued, and identified the following for disclosure.

In July 2010, the Company completed the currently registered offering of the Company's common stock under the CEP, selling 76,700 shares at an average price of $100.41 per share for net proceeds of $7,586. From program inception in August 2009 through completion of the currently registered offering, the Company sold 4,585,105 shares at an average price of $87.24 for net proceeds of $393,993.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help provide an understanding of our business and results of operations. This MD&A should be read in conjunction with our Condensed Consolidated Financial Statements and the accompanying Notes to Condensed Consolidated Financial Statements included elsewhere in this report. This report, including the following MD&A, contains forward-looking statements regarding future events or trends as described more fully under "Forward-Looking Statements" included in this report. Actual results or developments could differ materially from those projected in such statements as a result of the factors described under "Forward-Looking Statements" below and the risk factors described in Item 1a, "Risk Factors," of our Form 10-K for the year ended December 31, 2009 (our "Form 10-K").

All capitalized terms have the meaning as provided elsewhere in this Form 10-Q.

Executive Overview

Business Description

We are primarily engaged in developing, acquiring, owning and operating apartment communities in high barrier to entry markets of the United States. We believe that apartment communities are an attractive long-term investment opportunity compared to other real estate investments, because a broad potential resident base should help reduce demand volatility over a real estate cycle. However, throughout the real estate cycle, apartment market fundamentals, and therefore operating cash flows, are affected by overall economic conditions. We seek to create long-term shareholder value by accessing capital on cost effective terms; deploying that capital to develop, redevelop and acquire apartment communities in high barrier to entry markets; operating apartment communities; and selling communities when they no longer meet our long-term investment strategy or when pricing is attractive. Barriers to entry in our markets generally include a difficult and lengthy entitlement process with local jurisdictions and dense urban or suburban areas where zoned and entitled land is in limited supply.

We regularly evaluate the allocation of our investments by the amount of invested capital and by product type within our individual markets, which are located in New England, the New York/New Jersey metro area, the Mid-Atlantic, the Midwest, the Pacific Northwest, and the Northern and Southern California regions of the United States. Our strategy is to be leaders in market research and capital allocation, delivering a range of multifamily offerings tailored to serve the needs of the most attractive customer segments in the best-performing submarkets of the United States. Our communities are predominately upscale, which generally command among the highest rents in their markets. However, we also pursue the ownership and operation of apartment communities that target a variety of customer segments and price points, consistent with our goal of offering a broad range of products and services.

Second Quarter 2010 Highlights

- Net income attributable to common stockholders for the quarter ended June 30, 2010 was $51,125,000, as compared to $17,674,000 for the quarter ended June 30, 2009, an increase of 189.3%. The increase is attributable primarily to asset impairments reported in 2009, with no comparable write-downs in 2010, coupled with the gain on an asset sale in the second quarter 2010 with no dispositions in the prior year period.
- Our Established Community portfolio experienced a 4.4% decrease in NOI over the comparable period of 2009, comprised of a 2.1% decrease in rental revenue and an increase in operating expenses of 2.5%. Sequential rental revenue increased by 1.3% as compared to the first quarter 2010.

Financial Outlook

Our portfolio results reflect sequential rental revenue growth, continued higher occupancy levels and lower turnover. We expect sequential quarterly revenue growth to continue for the balance of 2010, with year-over-year revenue growth beginning in the second half of 2010. The current positive trend in the multi-family sector looks to be supported by the continued decline in the homeownership rate, as well as an increase in the proportion of the population having a higher propensity to rent. Further improvement in revenue growth and operating fundamentals will be driven by home ownership trends, demographic trends, as well as the timing and magnitude of employment growth.

At June 30, 2010, seven communities were under construction with a total projected capitalized cost of approximately $843,100,000. As of June 30, 2010, approximately $679,100,000 of the capital for this development was invested, with $164,000,000 remaining to invest. We have obtained $39,900,000 of this required funding through financing from secured tax-exempt and taxable debt. In addition to the development community we started in the first quarter of 2010, in July 2010, we started construction of three development communities containing 395 apartment homes at an aggregate total capitalized cost of $106,300,000. As previously disclosed, we still expect to start $600,000,000 in new development in 2010, with our combined development under way and in planning currently at $3,091,100,000. We expect increased development activity in the second half of 2010, enabling us to deliver assets into expected favorable market conditions in 2011 and 2012 .

At June 30, 2010, there were seven communities under redevelopment, with an expected investment of approximately $89,000,000, excluding costs incurred prior to the start of redevelopment, with $34,400,000 remaining to be invested**.** We expect to increase our current level of redevelopment activity through the end of 2010, taking the opportunity to reinvest and reposition our assets to meet the needs of our residents and ensure that our assets are positioned to outperform as the economy fully recovers.

At present, cash on hand and available capital from our Credit Facility are sufficient to provide the capital necessary to fund our development and redevelopment activities for the balance of 2010. We believe that the strength of our balance sheet, as measured by our current level of indebtedness, our current ability to service interest and other fixed charges and our current limited use of financial encumbrances (such as secured financing), provides us with adequate access to liquidity from the capital markets through the issuance of corporate securities (which could include unsecured debt and/or common and preferred equity) and secured debt, as well as other sources of liquidity such as from joint ventures or from our retained cash, to meet any reasonably foreseeable liquidity needs as they arise. See the discussion under *Liquidity and Capital Resources.*

While we continue to grow principally through our demonstrated core competency of developing wholly owned assets, we also acquire interests in additional assets, primarily through our investment in two private discretionary investment funds.

We established Fund I and Fund II (collectively "the Funds") to engage in acquisition programs through discretionary investment funds. We believe this investment format provides the following attributes: (i) this format provides third-party joint venture equity as an additional source of financing to expand and diversify our portfolio; (ii) the use of a discretionary investment fund structure provides additional sources of income in the form of property management and asset management fees and, potentially, incentive distributions if the performance of the Funds exceeds certain thresholds; and (iii) this format provides visibility into the transactions occurring in multi-family assets that helps us with other investment decisions related to our wholly owned portfolio.

One of our wholly owned subsidiaries is the general partner of Fund I and we have invested approximately $44,000,000 net of distributions, in Fund I, representing a 15.2% combined general partner and limited partner equity interest. Fund I was our principal vehicle for acquiring apartment communities through the close of its investment period in March 2008. Subsidiaries of Fund I have 21 loans secured by individual assets with amounts outstanding in the aggregate of $436,259,000 with varying maturity dates (or dates after which the loans can be prepaid without penalty), ranging from October 2011 to September 2016. These mortgage loans are secured by the underlying real estate.

Fund II has six institutional investors, including us. One of our wholly owned subsidiaries is the general partner of Fund II and we have total equity commitments of $125,000,000. Fund II can employ leverage of up to 65%, allowing for a total investment capacity of approximately $1,100,000,000, and has a term that expires in August 2018, plus two one-year extension options. Fund II now serves as the exclusive vehicle through which we will acquire investment interests in apartment communities until August 2011 or, if earlier, until 90% of the committed capital of Fund II is invested, subject to limited exceptions. Fund II will not include or involve our development activities. We will receive, in addition to any returns on our invested equity, asset management fees, property management fees and redevelopment fees. We will also receive a promoted interest if certain return thresholds are met. Subsidiaries of Fund II have three loans secured by individual assets with amounts outstanding in the aggregate of $84,365,000 with varying maturity dates (or dates after which the loans can be prepaid without penalty), ranging from May 2017 to June 2019. These mortgage loans are secured by the underlying real estate.

Communities Overview

Our real estate investments consist primarily of current operating apartment communities, communities in various stages of development (“Development Communities”) and Development Rights as defined below. Our current operating communities are further distinguished as Established Communities, Other Stabilized Communities, Lease-Up Communities and Redevelopment Communities. The following is a description of each category:

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

- *Established Communities (also known as Same Store Communities)* are consolidated communities where a comparison of operating results from the prior year to the current year is meaningful, as these communities were owned and had stabilized occupancy and operating expenses as of the beginning of the prior year. For the period ended June 30, 2010, the Established Communities are communities that are consolidated for financial reporting purposes, had stabilized occupancy and operating expenses as of January 1, 2009, are not conducting or planning to conduct substantial redevelopment activities and are not held for sale or planned for disposition within the current year. A community is considered to have stabilized occupancy at the earlier of (i) attainment of 95% physical occupancy or (ii) the one-year anniversary of completion of development or redevelopment.
- *Other Stabilized Communities* are all other completed communities that we own or have a direct or indirect ownership interest in, and that have stabilized occupancy, as defined above. Other Stabilized Communities do not include communities that are conducting or planning to conduct substantial redevelopment activities within the current year.
- *Lease-Up Communities* are communities where construction has been complete for less than one year and where physical occupancy has not reached 95%.
- *Redevelopment Communities* are communities where substantial redevelopment is in progress or is planned to begin during the current year. Redevelopment is considered substantial when capital invested during the reconstruction effort is expected to exceed either $5,000,000 or 10% of the community’s pre-redevelopment basis and is expected to have a material impact on the operations of the community, including occupancy levels and future rental rates.

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

Development Rights are development opportunities in the early phase of the development process for which we either have an option to acquire land or enter into a leasehold interest, for which we are the buyer under a long-term conditional contract to purchase land or where we own land to develop a new community. We capitalize related pre-development costs incurred in pursuit of new developments for which we currently believe future development is probable.

We currently lease our corporate headquarters located in Arlington, Virginia, under a ten-year operating lease. In addition, we currently own approximately 60,000 square feet of office space in Alexandria, Virginia, which formerly served as our corporate office. We are exploring alternatives to lease or sell our former office space in Alexandria, Virginia. All other regional and administrative offices are leased under operating leases.

As of June 30, 2010, communities that we owned or held a direct or indirect interest in were classified as follows:

	Number of communities	Number of apartment homes
Current Communities		
Established Communities:		
New England	25	6,442
Metro NY/NJ	21	6,908
Mid-Atlantic/Midwest	15	5,944
Pacific Northwest	8	1,943
Northern California	20	5,975
Southern California	12	3,460
Total Established	101	30,672
Other Stabilized Communities:		
New England	9	2,169
Metro NY/NJ	9	2,423
Mid-Atlantic/Midwest	12	3,368
Pacific Northwest	4	1,021
Northern California	8	2,145
Southern California	13	3,130
Total Other Stabilized	55	14,256
Lease-Up Communities	1	276
Redevelopment Communities	7	2,197
Total Current Communities	164	47,401
Development Communities	7	2,509
Development Rights	28	7,329

Results of Operations

Our year-over-year operating performance is primarily affected by both overall and individual geographic market conditions and apartment fundamentals and is reflected in changes in NOI of our Established Communities; NOI derived from acquisitions and development completions; the loss of NOI related to disposed communities; and capital market and financing activity. A comparison of our operating results for the three and six months ended June 30, 2010 and 2009 follows (dollars in thousands):

	For the three months ended				For the six months ended			
	6-30-10	6-30-09	$ Change	% Change	6-30-10	6-30-09	$ Change	% Change
Revenue:								
Rental and other income	$ 218,784	$ 210,182	$ 8,602	4.1%	$ 432,522	$ 418,447	$ 14,075	3.4%
Management, development and other fees	1,684	2,077	(393)	(18.9%)	3,533	3,545	(12)	(0.3%)
Total revenue	220,468	212,259	8,209	3.9%	436,055	421,992	14,063	3.3%
Expenses:								
Direct property operating expenses, excluding property taxes	55,133	53,179	1,954	3.7%	109,567	103,906	5,661	5.4%
Property taxes	23,175	19,945	3,230	16.2%	46,347	40,831	5,516	13.5%
Total community operating expenses	78,308	73,124	5,184	7.1%	155,914	144,737	11,177	7.7%
Corporate-level property management and other indirect operating expenses	9,262	9,634	(372)	(3.9%)	18,316	19,678	(1,362)	(6.9%)
Investments and investment management expense	1,047	907	140	15.4%	2,086	1,822	264	14.5%
Expensed development and other pursuit costs	443	2,281	(1,838)	(80.6%)	947	3,375	(2,428)	(71.9%)
Interest expense, net	41,458	36,880	4,578	12.4%	83,999	67,010	16,989	25.4%
Gain on extinguishment of debt, net	—	—	N/A	N/A	—	(1,062)	1,062	(100.0%)
Depreciation expense	57,479	51,174	6,305	12.3%	113,574	101,247	12,327	12.2%
General and administrative expense	4,041	5,390	(1,349)	(25.0%)	12,936	12,637	299	2.4%
Impairment loss	—	20,302	(20,302)	(100.0%)	—	20,302	(20,302)	(100.0%)
Total other expenses	113,730	126,568	(12,838)	(10.1%)	231,858	225,009	6,849	3.0%
Equity in income of unconsolidated entities	463	492	(29)	(5.9%)	689	3,949	(3,260)	(82.6%)
Income from continuing operations	28,893	13,059	15,834	121.2%	48,972	56,195	(7,223)	(12.9%)
Discontinued operations:								
Income from discontinued operations	244	3,664	(3,420)	(93.3%)	2,240	7,629	(5,389)	(70.6%)
Gain on sale of communities	21,929	—	21,929	100.0%	72,220	—	72,220	100.0%
Total discontinued operations	22,173	3,664	18,509	505.2%	74,460	7,629	66,831	876.0%
Net income	51,066	16,723	34,343	205.4%	123,432	63,824	59,608	93.4%
Net loss attributable to redeemable noncontrolling interests	59	951	(892)	(93.8%)	216	1,275	(1,059)	(83.1%)
Net income attributable to common stockholders	$ 51,125	$ 17,674	$ 33,451	189.3%	$ 123,648	$ 65,099	$ 58,549	89.9%

Net income attributable to common stockholders increased $33,451,000 or 189.3%, to $51,125,000 for the three months ended June 30, 2010 and increased $58,549,000 or 89.9% to $123,648,000 for the six months ended June 30, 2010. The increases are due primarily to asset impairments reported in 2009, with no comparable impairments in 2010, as well as the gain on sale of an operating community in the second quarter 2010, with no sales in the prior year period.

NOI is considered by management to be an important and appropriate supplemental performance measure to net income because it helps both investors and management to understand the core operations of a community or communities prior to the allocation of any corporate-level or financing-related costs. NOI reflects the operating performance of a community and allows for an easy comparison of the operating performance of individual assets or groups of assets. In addition, because prospective buyers of real estate have different financing and overhead structures, with varying marginal impacts 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 group of assets. We define NOI as total property revenue less direct property operating expenses, including property taxes, and excluding corporate-level income (including management, development and other fees), corporate-level property management and other indirect operating expenses, investments and investment management expenses, expensed development and other pursuit costs, net interest expense, gain (loss) on extinguishment of debt, general and administrative expense, joint venture income (loss), depreciation expense, impairment loss on land holdings, gain on sale of real estate assets and income from discontinued operations.

NOI does not represent cash generated from operating activities in accordance with GAAP. Therefore, NOI should not be considered an alternative to net income as an indication of our performance. NOI should also not be considered an alternative to net cash flow from operating activities, as determined by GAAP, as a measure of liquidity, nor is NOI necessarily indicative of cash available to fund cash needs. Reconciliations of NOI for the three and six months ended June 30, 2010 and 2009 to net income for each period, are as follows (dollars in thousands):

	For the three months ended		For the six months ended	
	6-30-10	6-30-09	6-30-10	6-30-09
Net income	$ 51,066	$ 16,723	$ 123,432	$ 63,824
Indirect operating expenses, net of corporate income	7,849	7,362	15,080	15,936
Investments and investment management expense	1,047	907	2,086	1,822
Expensed development and other pursuit costs	443	2,281	947	3,375
Interest expense, net	41,458	36,880	83,999	67,010
Gain on extinguishment of debt, net	—	—	—	(1,062)
General and administrative expense	4,041	5,390	12,936	12,637
Equity in income of unconsolidated entities	(463)	(492)	(689)	(3,949)
Depreciation expense	57,479	51,174	113,574	101,247
Impairment loss — land holdings	—	20,302	—	20,302
Gain on sale of real estate assets	(21,929)	—	(72,220)	—
Income from discontinued operations	(244)	(3,664)	(2,240)	(7,629)
Net operating income	$ 140,747	$ 136,863	$ 276,905	$ 273,513

The NOI changes for the three and six months ended June 30, 2010, as compared to the prior year period, consist of changes in the following categories (dollars in thousands):

	For the three months ended 6-30-10	For the six months ended 6-30-09
Established Communities	$ (4,890)	$ (13,304)
Other Stabilized Communities	7,808	16,836
Development and Redevelopment Communities	966	(140)
Total	$ 3,884	$ 3,392

The NOI decrease in Established Communities in the second quarter and year to date 2010 as compared to the prior year periods was largely due to rental revenue declines, coupled with increases in community operating expenses. For the balance of 2010, we expect year-over-year rental revenue to continue to decline at a decreasing rate, and eventually transition to year-over-year growth. We anticipate continued improvement in rental rates, with continued sequential quarterly rental rate growth and strong but moderate occupancy levels.

Rental and other income increased in the three and six months ended June 30, 2010 as compared to the prior year period due to additional rental income generated from newly developed communities and increased occupancy in our Established Communities, offset somewhat by decreased rental rates for our Established Communities.

Overall Portfolio — The weighted average number of occupied apartment homes increased to 40,002 apartment homes for the six months ended June 30, 2010 as compared to 39,265 homes for the prior year period. This increase is primarily due to homes available from newly developed communities and increased occupancy levels, offset partially by communities sold during 2009 and 2010. The weighted average monthly revenue per occupied apartment home decreased to $1,799 for the six months ended June 30, 2010 as compared to $1,855 in the prior year period.

Established Communities — Rental revenue decreased $3,463,000, or 2.1%, for the three months ended June 30, 2010 from the prior year period. Rental revenue decreased $10,390,000, or 3.1%, for the six months ended June 30, 2010 over the prior year period. The decreases are due to lower rental rates, offset by an increase in the average economic occupancy. Economic occupancy increased by 1.1% from 95.2% to 96.3% for the six months ended June 30, 2010. Economic occupancy takes into account the fact that apartment homes of different sizes and locations within a community have different economic impacts on a community's gross revenue. Economic occupancy is defined as gross potential revenue less vacancy loss, as a percentage of gross potential revenue. Gross potential revenue is determined by valuing occupied homes at leased rates and vacant homes at market rents. For the six months ended June 30, 2010, the weighted average monthly revenue per occupied apartment home decreased 4.2% to $1,813 compared to $1,892 in the prior year period.

We experienced decreases in Established Communities' rental revenue in all six of our regions for the six months ended June 30, 2010 as compared to the prior year period, although these decreases were less than we had anticipated. In the discussion below, sequential revenue growth represents growth in revenue between the first and second quarter of 2010. Information regarding rental revenue for each of our six regions is discussed in more detail below.

The Metro New York/New Jersey region, which accounted for 27.9% of Established Community rental revenue for the six months ended June 30, 2010, experienced a decrease in rental revenue of 2.0% as compared to the prior year period. Average rental rates decreased 3.1% to $2,238, and economic occupancy increased 1.1% to 96.5% for the six months ended June 30, 2010. Among our regions, the New York metro area posted the strongest sequential rental revenue growth during the second quarter of 2010, with 2.2% growth. We believe rental revenue growth will continue trending positive during the second half of 2010, supported by the early signs of recovery in New York's economy.

The New England region accounted for 22.0% of the Established Community rental revenue for the six months ended June 30, 2010 and experienced a rental revenue decrease of 1.3% over the prior year period. Average rental rates decreased 2.6% to $1,903 and economic occupancy increased 1.3% to 96.3% for the six months ended June 30, 2010, as compared to the prior year period. In Boston, reduced deliveries of new rental supply and a relatively stable employment base resulted in sequential growth in rental revenue of 0.9% during the second quarter of 2010. Fairfield-New Haven, with sequential rental revenue growth of 2.0% during the second quarter of 2010, has benefited from the improvement in the financial sector, due to this market's proximity to New York City.

The Mid-Atlantic/Midwest region, which represented 18.5% of Established Community rental revenue for the six months ended June 30, 2010, experienced a decrease in rental revenue of 0.3% over the prior year period. Average rental rates decreased by 0.4% to $1,727, while economic occupancy increased 0.1% to 96.3% for the six months ended June 30, 2010 as compared to the prior year period. Apartment demand in this region continues to benefit from the impact of increased government spending and government services employment, which is less prone to recessionary pressures compared to other regions, resulting in sequential quarterly rental revenue growth of 1.8%. Absorption of newly completed apartments is helping reduce competitive supply in many submarkets.

Northern California accounted for 18.3% of the Established Community rental revenue for the six months ended June 30, 2010 and experienced a rental revenue decrease of 7.3% over the prior year period. Average rental rates decreased 8.3% to $1,704 and economic occupancy increased 1.0% to 96.5% for the six months ended June 30, 2010 as compared to the prior year period. Based in part on improving conditions in technology and tourism, we expect improved renter demand in the near-term, but the impact is expected to be uneven among the region's three major metro areas.

Southern California accounted for 9.2% of the Established Community rental revenue for the six months ended June 30, 2010 and experienced a rental revenue decrease of 5.0% over the prior year period. Average rental rates decreased 7.2% to $1,484, and economic occupancy increased 2.2% to 95.6% for the six months ended June 30, 2010. We expect this region's economic recovery to lag other regions due primarily to a disproportionate level of employment concentrated in the mortgage lending industry.

The Pacific Northwest region accounted for 4.1% of the Established Community rental revenue for the six months ended June 30, 2010 and experienced a rental revenue decrease of 9.1% over the prior year period. Average rental rates decreased 10.8% to $1,183 and economic occupancy increased by 1.7% to 95.8% for the six months ended June 30, 2010. Metropolitan Seattle has experienced net positive job gains during the first half of 2010. While we expect a recovery in job growth ahead of other markets, the pace of improvement in apartment fundamentals will depend on absorption of new supply in certain submarkets.

In accordance with GAAP, cash concessions are amortized as an offset to rental revenue over the approximate lease term, which is generally one year. As a supplemental measure, we also present rental revenue with concessions stated on a cash basis 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. Rental revenue with concessions stated on a cash basis also allows investors to understand historical trends in cash concessions, as well as current rental market conditions.

The following table reconciles total rental revenue in conformity with GAAP to total rental revenue adjusted to state concessions on a cash basis for our Established Communities for the three and six months ended June 30, 2010 and 2009 (dollars in thousands).

	For the three months ended		For the six months ended	
	6-30-10	6-30-09	6-30-10	6-30-09
Rental revenue (GAAP basis)	$ 161,641	$ 165,104	$ 321,280	$ 331,670
Concessions amortized	1,146	2,724	2,746	5,632
Concessions granted	(475)	(2,567)	(1,069)	(4,775)
Rental revenue adjusted to state concessions on a cash basis	$ 162,312	$ 165,261	$ 322,957	$ 332,527
Year-over-year % change — GAAP revenue		(2.1%)		(3.1%)
Year-over-year % change — cash concession based revenue		(1.8%)		(2.9%)

Management, development and other fees decreased $393,000, or 18.9%, for the three months ended June 30, 2010 and $12,000, or 0.3% for the six months ended June 30, 2010 as compared to the prior year periods. The decrease for the three months ended June 30, 2010 was due primarily to decreased asset management fees from Fund II, which effective March 2010 transitioned from a minimum base fee for the start up period, to a fee based on invested capital.

Direct property operating expenses, excluding property taxes increased $1,954,000, or 3.7% for the three months ended June 30, 2010 and $5,661,000, or 5.4% for the six months ended June 30, 2010 as compared to the prior year periods, primarily due to the addition of recently developed apartment homes.

For Established Communities, direct property operating expenses, excluding property taxes, decreased $298,000, or 0.8% to $38,936,000 for the three months ended June 30, 2010, and increased approximately $850,000, or 1.1% to $78,342,000 for the six months ended June 30, 2010, as compared to the prior year periods. The decrease for the three months ended June 30, 2010 is due to decreased bad debt expense, favorable utilities costs and a decrease in insurance costs over the prior year period. The increase for the six months ended June 30, 2010 is due primarily to the adverse impact of severe winter weather (snow removal) and related increased community maintenance costs, offset partially by a decrease in insurance and utility related expenses.

Property taxes increased $3,230,000, or 16.2% and $5,516,000, or 13.5% for the three and six months ended June 30, 2010, due to the addition of newly developed and redeveloped apartment homes and a large refund received for one community in New York in 2009, with no comparable receipts in 2010. Property tax increases are often impacted by the size and timing of successful tax appeals.

For Established Communities, property taxes increased by $1,682,000, or 10.8% and $2,083,000 or 6.4% for the three and six months ended June 30, 2010 over the prior year periods, due primarily to a large refund received for one community in New York in 2009. The impact of the economic recession has not been reflected in all current assessments, as there is typically a time lag between a change in the economy affecting property valuations and updated real estate tax assessments. In regions where current assessments have been reduced, tax rates have increased to provide consistent amounts of revenue to the taxing authorities. Therefore, we expect property taxes to continue to increase for the balance of 2010 over 2009. For communities in California, property tax changes are determined by the change in the California Consumer Price Index, with increases limited by law (Proposition 13).

We evaluate property tax increases internally and also engage third-party consultants to assist in our evaluations. We appeal property tax increases when appropriate.

Corporate-level property management and other indirect operating expenses decreased by $372,000, or 3.9% and $1,362,000 or 6.9% for the three and six months ended June 30, 2010 over the prior year periods. These decreases are due primarily to decreases in compensation costs, coupled with the timing of costs related to corporate initiatives.

Expensed development and other pursuit costs primarily reflect the costs incurred for abandoned pursuit costs, which include costs incurred for development pursuits not yet considered probable for development, as well as the abandonment of Development Rights and disposition pursuits. Expensed development and other pursuit costs decreased during the three and six months ended June 30, 2010 as compared to the prior year periods, due to decreases in abandoned development pursuits. These costs can be volatile, particularly in periods of economic downturn or when there is limited access to capital, and the costs may vary significantly from period to period.

Interest expense, net increased $4,578,000, or 12.4% and $16,989,000 or 25.4% for the three and six months ended June 30, 2010 over the prior year periods. This category includes interest costs offset by interest capitalized and interest income. The increase for the three and six months ended June 30, 2010 is due primarily to interest expense from additional secured debt outstanding, as well as a decrease in the amount of interest cost allocated to capitalized interest in 2010 as compared to the prior year, offset partially by a decrease in interest expense from lower amounts of unsecured notes in 2010 as compared to 2009.

Gain on extinguishment of debt, net reflects the impact of our debt repurchase activity for payments above or below the carrying basis. The net gain in the six months ended June 30, 2009 is due to the gain recognized from our January 2009 tender offer.

Depreciation expense increased $6,305,000 or 12.3% and $12,327,000, or 12.2% in the three and six months ended June 30, 2010 primarily due to the net increase in assets from the completion of development and redevelopment activities.

General and administrative expense ("G&A") decreased $1,349,000, or 25.0% and increased $299,000, or 2.4% for the three and six months ended June 30, 2010 as compared to the prior year periods. The decrease for the three months ended June 30, 2010 is due primarily to a reduction in previously recorded separation costs, as well as the receipt of proceeds from the settlement of certain legal matters.

Impairment loss decreased for the three and six months ended June 30, 2010 from the prior year periods due to the recognition of an impairment charge on property owned associated with two former Development Rights in 2009, with no comparable expense in 2010. We are not aware of any additional impairments present in our inventory of land, or other development ventures. However, our focus on value creation through the development of new apartment communities, coupled with a large development pipeline, presents a risk that could result in future impairment charges, as these costs can be volatile, varying significantly from period to period, particularly in periods of economic downturn or when there is limited access to capital.

Equity in income of unconsolidated entities for the three and six months ended June 30, 2010 decreased $29,000, or 5.9% and $3,260,000, or 82.6% from the prior year periods due primarily to the recognition of our promoted interest in the joint venture that owns Avalon Chrystie Place in the first quarter of 2009.

Income from discontinued operations represents the net income generated by communities sold or qualifying as discontinued operations during the period from January 1, 2009 through June 30, 2010. This income decreased for the three and six months ended June 30, 2010 due to communities disposed from January 1, 2009 through June 30, 2010.

Gain on sale of communities increased for the three and six months ended June 30, 2010 as compared to the prior year periods as a result of dispositions in the six months ended June 30, 2010 with no comparable activity in the six months ended June 30, 2009. The amount of gain realized upon disposition of a community depends on many factors, including the number of communities sold, the size and carrying value of those communities and the market conditions in the local area.

Funds from Operations Attributable to Common Stockholders ("FFO")

FFO is considered by management to be an appropriate supplemental measure of our operating and financial performance. In calculating FFO, we exclude gains or losses related to dispositions of previously depreciated property and exclude 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 real estate company between periods or as compared to different companies. We believe that in order to understand our operating results, FFO should be examined with net income as presented in our Condensed Consolidated Financial Statements included elsewhere in this report.

Consistent with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trustsâ ("NAREIT"), we calculate FFO 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);
- depreciation of real estate assets; and
- adjustments for unconsolidated partnerships and joint ventures.

FFO does not represent net income attributable to common stockholders of the Company in accordance with GAAP, and therefore it should not be considered an alternative to net income, which remains the primary measure of performance. In addition, FFO as calculated by other REITs may not be comparable to our calculation of FFO.

The following is a reconciliation of net income attributable to the Company to FFO (dollars in thousands, except per share data):

	For the three months ended		For the six months ended	
	6-30-10	6-30-09	6-30-10	6-30-09
Net income attributable to common stockholders	$ 51,125	$ 17,674	$ 123,648	$ 65,099
Depreciation — real estate assets, including discontinued operations and joint venture adjustments	58,593	54,126	115,605	107,651
Distributions to noncontrolling interests, including discontinued operations	14	14	27	39
Gain on sale of operating communities	(21,929)	—	(72,220)	—
FFO attributable to common stockholders	$ 87,803	$ 71,814	$ 167,060	$ 172,789
Weighted average common shares outstanding — diluted	84,245,105	80,042,294	83,247,995	79,898,287
EPS per common share — diluted	$ 0.61	$ 0.22	$ 1.49	$ 0.82
FFO per common share — diluted	$ 1.04	$ 0.90	$ 2.01	$ 2.16

FFO also does not represent cash generated from operating activities in accordance with GAAP, and therefore should not be considered an alternative to net cash flows from operating activities, as determined by GAAP, as a measure of liquidity. Additionally, it is not necessarily indicative of cash available to fund cash needs.

A presentation of GAAP based cash flow metrics is as follows (dollars in thousands) and a discussion of "Liquidity and Capital Resources" can be found later in this report.

	For the three months ended		For the six months ended	
	6-30-10	6-30-09	6-30-10	6-30-09
Net cash provided by operating activities	$ 102,841	$ 98,907	$ 171,724	$ 189,728
Net cash provided by (used in) investing activities	$ 2,065	$ (146,376)	$ (33,978)	$ (276,057)
Net cash (used in) provided by financing activities	$ 145,518	$ 172,922	$ 130,284	$ 236,411

Liquidity and Capital Resources

We believe our principal short-term liquidity needs are to fund:

- development and redevelopment activity in which we are currently engaged;
- the minimum dividend payments on our common stock required to maintain our REIT qualification under the Code;
- debt service and principal payments either at maturity or opportunistic pre-payments;
- normal recurring operating expenses; and
- capital calls for Fund II, as required.

Factors affecting our liquidity and capital resources are our cash flows from operations, financing activities and investing activities (including dispositions) as well as general economic and market conditions. Operating cash flow has historically been determined by: (i) the number of apartment homes currently owned, (ii) rental rates, (iii) occupancy levels and (iv) operating expenses with respect to apartment homes. The timing and type of capital markets activity in which we engage, as well as our plans for development, redevelopment, acquisition and disposition activity, are affected by changes in the capital markets environment, such as changes in interest rates or the availability of cost-effective capital. We regularly review our liquidity needs, the adequacy of cash flows from operations and other expected liquidity sources to meet these needs.

During the second quarter of 2010 we saw the continued availability of capital on cost effective terms. We accessed the capital markets through the CEP, raising $209,428,000 in net proceeds. In July 2010, we reached the maximum amount of sales registered for sale under the program, having raised $393,993,000 in net proceeds since its inception in August 2009. We also sold one apartment community providing net proceeds of $106,252,000. For the balance of 2010, we expect to meet our liquidity needs from a variety of internal and external sources, which may include cash balances on hand, borrowing capacity under our Credit Facility (as defined elsewhere in this form 10-Q), secured financings, and other public or private sources of liquidity, as well as our operating activities. Our ability to obtain additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the overall availability of credit to the real estate industry, our credit ratings and credit capacity, as well as the perception of lenders regarding our long or short-term financial prospects. At June 30, 2010, we have unrestricted cash, cash equivalents and cash in escrow of $561,988,000 available for both current liquidity needs as well as development activities, of which $93,440,000 relates to a Development Right for which we have not begun construction.

Unrestricted cash and cash equivalents totaled $373,721,000 at June 30, 2010, an increase of $268,030,000 from $105,691,000 at December 31, 2009. The following discussion relates to changes in cash due to operating, investing and financing activities, which are presented in our Condensed Consolidated Statements of Cash Flows included elsewhere in this report.

Operating Activities — Net cash provided by operating activities decreased to $171,724,000 for the six months ended June 30, 2010 from $189,728,000 for the six months ended June 30, 2009. The change was driven primarily by the increase in interest costs and timing of corporate payables.

Investing Activities — Net cash used in investing activities of $33,978 for the six months ended June 30, 2010 related to investments in assets through development and redevelopment. During the six months ended June 30, 2010, we invested $239,390,000 in the development of the following real estate and capital expenditures:

- We invested approximately $233,994,000 in the development of communities.
- We had capital expenditures of $5,396,000 for real estate and non-real estate assets.

These amounts are partially offset by the proceeds from the disposition of real estate of $187,587,000, and draws on construction escrows of $21,224,000.

Financing Activities — Net cash provided by financing activities totaled $130,284,000 for the six months ended June 30, 2010. The net cash provided is due primarily to $306,817,000 received from the issuance of common stock, primarily through the CEP we initiated in August 2009, partially offset by the payment of cash dividends in the amount of $146,258,000 and $27,930,000 for the repayment of secured notes.

Variable Rate Unsecured Credit Facility

We currently have a $1,000,000,000 revolving variable rate Credit Facility with a syndicate of commercial banks that expires in November 2011 (assuming our exercise of a one-year renewal option). We expect to exercise this option in the second half of 2010 at a cost of approximately $1,000,000. We pay an annual facility fee of approximately $1,250,000. The Credit Facility bears interest at varying levels based on LIBOR, our credit rating and on a maturity schedule selected by us. The current stated pricing is LIBOR plus 0.40% per annum (0.70% on July 30, 2010). At July 30, 2010, there were no amounts outstanding on the Credit Facility, $65,702,000 was used to provide letters of credit, and $934,298,000 was available for borrowing under the Credit Facility.

We expect to refinance the Credit Facility prior to the November 2011 expiration. While credit market conditions continue to improve from the difficult environment seen in 2008 and 2009, we cannot at this time determine how the refinanced terms will compare to the current terms.

Financial Covenants

We are subject to financial and other covenants contained in the Credit Facility and the indenture under which our unsecured notes were issued. The financial covenants include the following:

- limitations on the amount of total and secured debt in relation to our overall capital structure;
- limitation on the amount of our unsecured debt relative to the undepreciated basis of real estate assets that are not encumbered by property-specific financing; and
- minimum levels of debt service coverage.

We were in compliance with these covenants at June 30, 2010.

In addition, our secured borrowings may include yield maintenance, defeasance, or prepayment penalty provisions, which would result in us incurring an additional charge in the event of a full or partial prepayment of outstanding principal before the scheduled maturity. These provisions in our secured borrowings are generally consistent with other similar types of debt instruments issued during the same time period in which our borrowings were secured.

Continuous Equity Program (CEP)

In August 2009, we commenced the CEP, under which we were authorized to sell up to $400,000,000 of our common stock. During the three months ended June 30, 2010, and year to date through July 30, 2010, we sold 2,111,819 and 3,080,204 shares at an average price of $100.68 and $95.88 per share for net proceeds of $209,428,000 and $290,884,000, respectively, exhausting the currently-registered amount of sales under the CEP. From program inception in August 2009 through the end of the currently-registered offering, we sold 4,585,105 shares at an average price of $87.24 for net proceeds of $393,993,000.

New U.S. Income Tax Legislation

Recently-enacted U.S. federal income tax legislation imposes withholding taxes on certain types of payments made after December 31, 2012 to foreign financial institutions and certain other non-U.S. entities. The withholding tax of 30% would apply to dividends and the gross proceeds of a disposition of our common stock paid to certain foreign entities unless various information reporting requirements are satisfied. For these purposes, a foreign financial institution generally is defined as any non-U.S. entity that (i) accepts deposits in the ordinary course of a banking or similar business, (ii) is engaged in the business of holding financial assets for the account of others, or (iii) is engaged or holds itself out as being engaged primarily in the business of investing, reinvesting, or trading in securities, partnership interests, commodities, or any interest in such assets. Prospective investors are encouraged to consult their tax advisors regarding the implications of this legislation on their investment in our common stock, as well as the status of any related federal regulations and any other legislative proposals that may pertain to ownership and disposition of our common stock.

Future Financing and Capital Needs — Debt Maturities

One of our principal long-term liquidity needs is the repayment of long-term debt at the time that such debt matures. For unsecured notes, a portion of the principal of these notes may be repaid prior to maturity. Early retirement of our unsecured notes could result in gains or losses on extinguishment similar to those recognized in 2008 and 2009. If we do not have funds on hand sufficient to repay our indebtedness as it becomes due, it will be necessary for us to refinance the debt. This refinancing may be accomplished by uncollateralized private or public debt offerings, additional debt financing that is secured by mortgages on individual communities or groups of communities or draws on our Credit Facility. Although we believe we will have the capacity to meet our currently anticipated liquidity needs, we cannot assure you that additional debt financing or debt or equity offerings will be available or, if available, that they will be on terms we consider satisfactory.

The following financing activity occurred during the six months ended June 30, 2010:

- we repaid a 6.47% fixed rate secured mortgage note in the amount of $13,961,000 in advance of its March 2012 scheduled maturity date; and
- we repaid a 6.95% fixed rate secured mortgage note in the amount of $11,226,000 in advance of its February 2025 scheduled maturity date.

The following table details debt maturities for the next five years, excluding our Credit Facility and amounts outstanding related to communities classified as held for sale, for debt outstanding at June 30, 2010 (dollars in thousands).

Community	All-In interest rate (1)	Principal maturity date	Balance outstanding 12-31-09	Balance outstanding 6-30-10	Scheduled maturities 2010	2011	2012	2013	2014	Thereafter
Tax-exempt bonds										
Fixed rate										
CountryBrook	—	Mar-2012	$ 13,961	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Avalon at Symphony Glen	5.17%	Jul-2024	9,780	9,780	—	—	—	—	—	9,780
Avalon at Lexington	—	Feb-2025	11,226	—	—	—	—	—	—	—
Avalon Campbell	—	Jun-2025	29,881	—(2)	—	—	—	—	—	—
Avalon Pacifica	—	Jun-2025	13,554	—(2)	—	—	—	—	—	—
Avalon Fields	7.79%	May-2027	9,714	9,569	150	316	339	364	390	8,010
Avalon Oaks	7.49%	Feb-2041	16,794	16,717	80	168	180	193	207	15,889
Avalon Oaks West	7.54%	Apr-2043	16,661	16,592	72	152	162	173	185	15,848
Avalon at Chestnut Hill	6.15%	Oct-2047	41,501	41,328	177	368	388	409	432	39,554
			163,072	93,986	479	1,004	1,069	1,139	1,214	89,081
***Variable rate* (3)**										
Avalon Burbank	2.06%	Oct-2010	29,387	28,989	28,989	—	—	—	—	—
Waterford	1.15%	Jul-2014	33,100	33,100(4)	—	—	—	—	33,100	—
Avalon at Mountain View	1.20%	Feb-2017	18,300	18,300(4)	—	—	—	—	—	18,300
Avalon at Mission Viejo	1.42%	Jun-2025	7,635	7,635(4)	—	—	—	—	—	7,635
Avalon at Nob Hill	1.37%	Jun-2025	20,800	20,800(4)	—	—	—	—	—	20,800
Avalon Campbell	1.66%	Jun-2025	8,919	38,800(2)	—	—	—	—	—	38,800
Avalon Pacifica	1.68%	Jun-2025	4,046	17,600(2)	—	—	—	—	—	17,600
Bowery Place I	3.21%	Nov-2037	93,800	93,800	—	—	—	—	—	93,800
Bowery Place II	4.58%	Nov-2039	48,500	48,500(5)	—	—	—	—	—	48,500
Avalon Acton	1.68%	Jul-2040	45,000	45,000(5)	—	—	—	—	—	45,000
Morningside Park	3.91%	Nov-2040	100,000	100,000(5)	—	—	—	—	—	100,000
West Chelsea	0.18%	May-2012	93,440	93,440(5)	—	—	93,440	—	—	—
Avalon Walnut Creek	2.97%	Mar-2046	116,000	116,000(5)	—	—	—	—	—	116,000
Avalon Walnut Creek	2.94%	Mar-2046	10,000	10,000(5)	—	—	—	—	—	10,000
			628,927	671,964	28,989	—	93,440	—	33,100	516,435
Conventional loans (6)										
Fixed rate										
$200 Million unsecured notes	7.67%	Dec-2010	14,576	14,576	14,576	—	—	—	—	—
$300 Million unsecured notes	6.79%	Sep-2011	39,900	39,900	—	39,900	—	—	—	—
$250 Million unsecured notes	5.74%	Jan-2012	104,400	104,400	—	—	104,400	—	—	—
$250 Million unsecured notes	6.26%	Nov-2012	201,601	201,601	—	—	201,601	—	—	—
$100 Million unsecured notes	5.11%	Mar-2013	100,000	100,000	—	—	—	100,000	—	—
$150 Million unsecured notes	5.52%	Apr-2014	150,000	150,000	—	—	—	—	150,000	—
$250 Million unsecured notes	5.89%	Sep-2016	250,000	250,000	—	—	—	—	—	250,000
$250 Million unsecured notes	5.82%	Mar-2017	250,000	250,000	—	—	—	—	—	250,000
$250 Million unsecured notes	6.19%	Mar-2020	250,000	250,000	—	—	—	—	—	250,000
Avalon at Twinbrook	7.25%	Oct-2011	7,578	7,460	121	7,339	—	—	—	—
Avalon at Tysons West	5.55%	Jul-2028	6,045	5,954	92	193	204	216	229	5,020
Avalon Orchards	7.78%	Jul-2033	19,011	18,847	169	357	382	409	438	17,092
Avalon at Arlington Square	4.81%	Apr-2013	170,125	170,125	—	—	—	170,125	—	—
Avalon at Cameron Court	5.07%	Apr-2013	94,572	94,572	—	—	—	94,572	—	—
Avalon Crescent	5.59%	May-2015	110,600	110,600	—	—	—	—	—	110,600
Avalon at Silicon Valley	5.74%	Jul-2015	150,000	150,000	—	—	—	—	—	150,000
Avalon Darien	6.22%	Nov-2015	51,172	50,866	354	702	746	793	843	47,428
Avalon Greyrock Place	6.12%	Nov-2015	61,690	61,313	434	861	914	971	1,031	57,102
Avalon Commons	6.10%	Jan-2019	55,100	55,100	—	693	734	779	826	52,068
Avalon Walnut Creek	4.00%	Jul-2066	2,500	2,500	—	—	—	—	—	2,500
Avalon Shrewsbury	5.92%	May-2019	21,130	21,130	—	183	285	301	319	20,042
Avalon Gates	5.92%	May-2019	41,321	41,321	—	357	557	589	624	39,194
Avalon at Stamford Harbor	5.92%	May-2019	65,695	65,695	—	568	885	937	992	62,313
Avalon Freehold	5.94%	May-2019	36,630	36,630	—	317	493	522	553	34,745
Avalon Run East II	5.94%	May-2019	39,250	39,250	—	339	529	560	592	37,230
Avalon Gardens	6.05%	May-2019	66,237	66,237	—	572	892	945	1,000	62,828
Avalon Edgewater	6.10%	May-2019	78,565	78,565	—	679	1,058	1,120	1,186	74,522
Avalon Foxhall	6.05%	May-2019	59,010	59,010	—	510	795	841	891	55,973
Avalon Gallery Place I	6.05%	May-2019	45,850	45,850	—	396	618	654	692	43,490
Avalon Traville	5.91%	May-2019	77,700	77,700	—	672	1,047	1,108	1,173	73,700
Avalon Bellevue	5.91%	May-2019	26,698	26,698	—	231	360	381	403	25,323
Avalon on the Alameda	5.90%	May-2019	53,980	53,980	—	467	727	770	815	51,201
Avalon Mission Bay North	5.90%	May-2019	73,269	73,269	—	633	987	1,045	1,106	69,498
Avalon Woburn	5.90%	May-2019	55,805	55,805	—	482	752	796	842	52,933
			2,830,010	2,828,954	15,746	56,451	318,966	378,434	164,555	1,894,802
***Variable rate* (3) (6)**										
Avalon at Crane Brook	2.19%	Mar-2011	30,440	29,870(4)	599	29,271	—	—	—	—
Avalon at Bedford Center	1.82%	May-2012	15,871	15,616(4)	272	560	14,784	—	—	—
Avalon Walnut Creek	3.11%	Mar-2046	9,000	9,000(5)	—	—	—	—	—	9,000
$200 Million unsecured notes	7.32%	Dec-2010	75,000	75,000(7)	75,000	—	—	—	—	—
$300 Million unsecured notes	5.95%	Sep-2011	100,000	100,000(7)	—	100,000	—	—	—	—
$50 Million unsecured notes	5.95%	Sep-2011	50,000	50,000(7)	—	50,000	—	—	—	—
$250 Million unsecured notes	4.38%	Jan-2012	75,000	75,000(7)	—	—	75,000	—	—	—
			355,311	354,486	75,871	179,831	89,784	—	—	9,000
Total indebtedness — excluding unsecured credit facility			$ 3,977,320	$ 3,949,390	$ 121,085	$ 237,286	$ 503,259	$ 379,573	$ 198,869	$ 2,509,318

(1) Includes credit enhancement fees, facility fees, trustees' fees and other fees.

(2) Variable rate, tax-exempt debt for which the interest rate on a portion of this debt was effectively fixed through an interest rate swap agreement through the maturity of the swap in early June 2010. Concurrent with the maturity of the interest rate swap, we executed an interest rate cap limiting the maximum interest rate paid on the portion of the debt hedged. The entire outstanding balance has therefore been presented as variable rate financing beginning June 30, 2010.

(3) Variable rates are given as of June 30, 2010.

(4) Financed by variable rate debt, but interest rate is capped through an interest rate protection agreement.

(5) Represents full amount of the debt as of June 30, 2010. Actual amounts drawn on the debt as of June 30, 2010 are $47,074 for Bowery Place II, $44,804 for Avalon Acton, $89,019 for Morningside Park, $84,697 for Walnut Creek, and $0 for West Chelsea.

(6) Balances outstanding represent total amounts due at maturity, and are not net of $856 and $2,448 of debt discount and basis adjustments associated with the unsecured notes as of June 30, 2010 and December 31, 2009, respectively, as reflected in unsecured notes on our Condensed Consolidated Balance Sheets included elsewhere in this report.

(7) In October 2009, we executed $300,000 of interest rate swaps allowing us to effectively convert $300,000 principal of our fixed rate unsecured notes to floating rate debt.

Future Financing and Capital Needs — Portfolio and Other Activity

As of June 30, 2010, we had seven wholly owned communities under construction, for which a total estimated cost of $164,000,000 remained to be invested. We also had seven wholly owned communities under reconstruction, for which a total estimated cost of $34,400,000 remained to be invested. In addition, we may be required to contribute our proportionate share of capital to Fund II, if or to the extent that Fund II makes capital calls in conjunction with additional community acquisitions during 2010. Substantially all of the capital expenditures necessary to complete the communities currently under construction and reconstruction, fund development costs related to pursuing Development Rights, and make equity contributions to Fund II, will be funded from:

- cash currently on hand, including cash in construction escrows, invested in highly liquid overnight money market funds and repurchase agreements, and short-term investment vehicles;
- the remaining capacity under our $1,000,000,000 Credit Facility;
- retained operating cash;
- the net proceeds from sales of existing communities;
- the issuance of debt or equity securities; and/or
- private equity funding, including joint venture activity.

Before planned reconstruction activity, including reconstruction activity related to communities acquired by the Funds, or the construction of a Development Right begins, we intend to arrange adequate financing to complete these undertakings, although we cannot assure you that we will be able to obtain such financing. In the event that financing cannot be obtained, we may have to abandon Development Rights, write off associated pre-development costs that were capitalized and/or forego reconstruction activity. In such instances, we will not realize the increased revenues and earnings that we expected from such Development Rights or reconstruction activity and significant losses could be incurred.

From time to time we use joint ventures to hold or develop individual real estate assets. We generally employ joint ventures primarily to mitigate asset concentration or market risk and secondarily as a source of liquidity. We may also use joint ventures related to mixed-use land development opportunities where our partners bring development and operational expertise to the venture. Each joint venture or partnership agreement has been individually negotiated, and our ability to operate and/or dispose of a community in our sole discretion may be limited to varying degrees depending on the terms of the joint venture or partnership agreement. We cannot assure you that we will achieve our objectives through joint ventures.

In evaluating our allocation of capital within our markets, we sell assets that do not meet our long-term investment criteria or when capital and real estate markets allow us to realize a portion of the value created over the past business cycle and redeploy the proceeds from those sales to develop and redevelop communities. Because the proceeds from the sale of communities may not be immediately redeployed into revenue generating assets, the immediate effect of a sale of a community for a gain is to increase net income, but reduce future total revenues, total expenses and NOI. However, we believe that the absence of future cash flows from communities sold will have a minimal impact on our ability to fund future liquidity and capital resource needs.

Off-Balance Sheet Arrangements

In addition to our investment interests in consolidated and unconsolidated real estate entities, we have certain off-balance sheet arrangements with the entities in which we invest. Additional discussion of these entities can be found in Note 6, "Investments in Real Estate Entities," of our Condensed Consolidated Financial Statements located elsewhere in this report.

- CVP I, LLC has outstanding tax-exempt, variable rate bonds maturing in November 2036 in the amount of $117,000,000, which have permanent credit enhancement. We have agreed to guarantee, under limited circumstances, the repayment to the credit enhancer of any advances it may make in fulfillment of CVP I, LLC's repayment obligations under the bonds**.** We have also guaranteed to the credit enhancer that CVP I, LLC will obtain a final certificate of occupancy for the project (Chrystie Place in New York City), which is expected in 2010. Our 80% partner in this venture has agreed that it will reimburse us its pro rata share of any amounts paid relative to these guaranteed obligations. The estimated fair value of and our obligation under these guarantees, both at inception and as of June 30, 2010, were not significant. As a result we have not recorded any obligation associated with these guarantees at June 30, 2010.

- Subsidiaries of Fund I have 21 loans secured by individual assets with amounts outstanding in the aggregate of $436,259,000, with varying maturity dates (or dates after which the loans can be prepaid), ranging from October 2011 to September 2016. These mortgage loans are secured by the underlying real estate. The mortgage loans are payable by the subsidiaries of Fund I with operating cash flow or disposition proceeds from the underlying real estate. We have not guaranteed the debt of Fund I, nor do we have any obligation to fund this debt should Fund I be unable to do so.

  In addition, as part of the formation of Fund I, we have provided to one of the limited partners a guarantee. The guarantee provides that if, upon final liquidation of Fund I, the total amount of all distributions to that partner during the life of Fund I (whether from operating cash flow or property sales) does not equal a minimum of the total capital contributions made by that partner, then we will pay the partner an amount equal to the shortfall, but in no event more than 10% of the total capital contributions made by the partner (maximum of approximately $7,500,000 as of June 30, 2010). As of June 30, 2010, the expected realizable value of the real estate assets owned by Fund I is considered adequate to cover such potential payment to that partner under the expected Fund I liquidation scenario. The estimated fair value of, and our obligation under this guarantee, both at inception and as of June 30, 2010 was not significant and therefore we have not recorded any obligation for this guarantee as of June 30, 2010.

- As of June 30, 2010, subsidiaries of Fund II have three loans secured by individual assets with amounts outstanding in the aggregate of $82,865,000 with varying maturity dates (or dates after which the loans can be prepaid), ranging from June 2017 to June 2019. During the three months ended June 30, 2010, two subsidiaries of Fund II each obtained a separate fixed rate secured note, one for $42,600,000 with a 5.26% fixed interest rate with a maturity of May 2017 and the other for $18,750,000 with a variable interest rate with a maturity of June 2016. As of June 30, 2010, Fund II also has $1,500,000 outstanding under a credit facility that matures in December 2011 assuming the exercise of a one year extension by Fund II. The mortgage loans are payable by the subsidiaries of Fund II with operating cash flow or disposition proceeds from the underlying real estate, and the credit facility is payable by Fund II and is secured by capital commitments. We have not guaranteed, beyond our proportionate share of capital commitments supporting the credit facility of Fund II, the debt of Fund II, nor do we have any obligation to fund this debt should Fund II be unable to do so.

  In addition, as part of the formation of Fund II, we have provided to one of the limited partners a guarantee. The guarantee provides that if, upon final liquidation of Fund II, the total amount of all distributions to that partner during the life of Fund II (whether from operating cash flow or property sales) does not equal a minimum of the total capital contributions made by that partner, then we will pay the partner an amount equal to the shortfall, but in no event more than 10% of the total capital contributions made by the partner (maximum of approximately $1,470,000 as of June 30, 2010). As of June 30, 2010, the expected realizable value of the real estate assets owned by Fund II is considered adequate to cover such potential payment to that partner under the expected Fund II liquidation scenario. The estimated fair value of, and our obligation under this guarantee, both at inception and as of June 30, 2010 was not significant and therefore we have not recorded any obligation for this guarantee as of June 30, 2010.

- Each individual mortgage loan of Fund I or Fund II was made to a special purpose, single asset subsidiary of the Funds. Each mortgage loan provides that it is the obligation of the respective subsidiary only, except under exceptional circumstances (such as fraud or misapplication of funds) in which case the respective fund could also have obligations with respect to the mortgage loan. In no event do the mortgage loans provide for recourse against investors in the Funds, including against us or our wholly owned subsidiaries that invest in the Funds. Similarly, in no event are investors in Fund II obligated with respect to the credit facility for Fund II except with respect to their capital commitment to Fund II. A default by a fund or a fund subsidiary on any loan to it would not constitute a default under any of our loans or any loans of our other non-fund subsidiaries or affiliates. If either the Funds or a subsidiary of one of the Funds were unable to meet its obligations under a loan, the value of our investment in that fund would likely decline and we might also be more likely to be obligated under the guarantee we provided to one of the fund partners in each fund as described above. If either of the Funds or a subsidiary of one of the Funds were unable to meet its obligations under a loan, we and/or the other investors might evaluate whether it was in our respective interests to voluntarily support the fund through additional equity contributions and/or take other actions to avoid a default under a loan or the consequences of a default (such as foreclosure of a fund asset).

  In the future, in the event either of the Funds were unable to meet their obligations under a loan, we cannot predict at this time whether we would provide any voluntary support, or take any other action, as any such action would depend on a variety of factors, including the amount of support required and the possibility that such support could enhance the return of either of the Funds and/or our returns by providing time for performance to improve.

- MVP I, LLC, the entity that owns Avalon at Mission Bay North II, has a loan secured by the underlying real estate assets of the community for $105,000,000. The loan is a fixed rate, interest-only note bearing interest at 6.02%, maturing in December 2015. We have not guaranteed the debt of MVP I, LLC, nor do we have any obligation to fund this debt should MVP I, LLC be unable to do so.

- Avalon Del Rey Apartments, LLC has a loan secured by the underlying real estate assets of the community for $45,506,000 maturing in April 2016. The variable rate loan had an interest rate of 3.69% at June 30, 2010. We have not guaranteed the debt of Avalon Del Rey Apartments, LLC, nor do we have any obligation to fund this debt should Avalon Del Rey Apartments, LLC be unable to do so.

- Aria at Hathorne Hill, LLC is a joint venture in which we have a non-managing member interest. The LLC is developing for-sale town homes in Danvers, Massachusetts. The LLC has a variable rate loan for $1,860,000 at an interest rate of 4.19% that matured in June 2010. As of June 30, 2010, the amounts under this borrowing have not been repaid, and the venture is negotiating an extension or refinancing of the amounts outstanding. The lender has not to date declared an event of default with respect to the note or required the venture to pay a default rate of interest. Although we bear no responsibility to repay the amounts outstanding, we have the right to cure any event of default by the venture.

- In 2007 we entered into a non-cancelable commitment (the "Commitment") to acquire parcels of land in Brooklyn, New York for an aggregate purchase price of approximately $111,000,000. Under the terms of the Commitment, we are closing on the various parcels over a period determined by the seller's ability to execute unrelated purchase transactions and achieve deferral of gains for the land sold under this Commitment. However, under no circumstances will the Commitment extend beyond 2011, at which time either we or the seller can compel execution of the remaining transactions. At June 30, 2010, we have an outstanding commitment to purchase the remaining land for approximately $51,500,000.

There are no other lines of credit, side agreements, financial guarantees or any other derivative financial instruments related to or between our unconsolidated real estate entities and us. In evaluating our capital structure and overall leverage, management takes into consideration our proportionate share of this unconsolidated debt.

Contractual Obligations

We currently have contractual obligations consisting primarily of long-term debt obligations and lease obligations for certain land parcels and regional and administrative office space. There have not been any material changes outside the ordinary course of business to our contractual obligations during the six months ended June 30, 2010.

Development Communities

As of June 30, 2010, we had seven Development Communities under construction. We expect these Development Communities, when completed, to add a total of 2,509 apartment homes to our portfolio for a total capitalized cost, including land acquisition costs, of approximately $843,100,000. You should carefully review Item 1a., "Risk Factors," of our Form 10-K for a discussion of the risks associated with development activity.

The following table presents a summary of the Development Communities. We hold a direct or indirect fee simple ownership interest in these communities.

		Number of apartment homes	Total capitalized cost (1) ($ millions)	Construction start	Initial occupancy(2)	Estimated completion	Estimated stabilization(3)
1	Avalon Fort Greene *New York, NY*	631	$ 305.4	Q4 2007	Q4 2009	Q4 2010	Q2 2011
2	Avalon Walnut Creek (4) *Walnut Creek, CA*	422	151.7	Q3 2008	Q2 2010	Q1 2011	Q3 2011
3	Avalon Norwalk *Norwalk, CT*	311	85.4	Q3 2008	Q2 2010	Q2 2011	Q4 2011
4	Avalon Towers Bellevue *Bellevue, WA*	397	126.1	Q4 2008	Q2 2010	Q2 2011	Q4 2011
5	Avalon Northborough II *Northborough, MA*	219	35.7	Q4 2009	Q1 2010	Q4 2010	Q2 2011
6	Avalon at West Long Branch *West Long Branch, NJ*	180	28.1	Q4 2009	Q3 2010	Q1 2011	Q3 2011
7	Avalon Rockville Centre *Rockville Centre, NY*	349	110.7	Q1 2010	Q3 2011	Q3 2012	Q1 2013
	Total	2,509	$ 843.1				

(1) Total capitalized cost includes all capitalized costs projected to be or actually incurred to develop the respective Development Community, determined in accordance with GAAP, including land acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees. Total capitalized cost for communities identified as having joint venture ownership, either during construction or upon construction completion, represents the total projected joint venture contribution amount.

(2) Future initial occupancy dates are estimates. There can be no assurance that we will pursue to completion any or all of these proposed developments.

(3) Stabilized operations is defined as the earlier of (i) attainment of 95% or greater physical occupancy or (ii) the one-year anniversary of completion of development.

(4) This community is being financed in part by third-party, tax-exempt and taxable debt.

Redevelopment Communities

As of June 30, 2010, there were seven communities under redevelopment. We expect the total capitalized cost to redevelop these communities to be $89,000,000 excluding costs prior to redevelopment. We have found that the cost to redevelop an existing apartment community is more difficult to budget and estimate than the cost to develop a new community. Accordingly, we expect that actual costs may vary from our budget by a wider range than for a new development community. We cannot assure you that we will meet our schedule for reconstruction completion or increasing operations, or that we will meet our budgeted costs, either individually or in the aggregate. We anticipate increasing the level of our redevelopment activity related to communities in our current operating portfolio for the remainder of 2010. You should carefully review Item 1a., "Risk Factors," of our Form 10-K for a discussion of the risks associated with redevelopment activity. The following presents a summary of these Redevelopment Communities:

	Number of apartment homes	Total cost ($ millions) Pre-redevelopment cost	Total cost ($ millions) Total capitalized cost(1)	Reconstruction start	Estimated reconstruction completion	Estimated restabilized operations(2)
1. Avalon at Diamond Heights *San Francisco, CA*	154	25.3	30.6	Q4 2007	Q4 2010	Q2 2011
2. Avalon Burbank *Burbank, CA*	400	71.0	94.4	Q3 2008	Q3 2010	Q1 2011
3. Avalon Pleasanton *Pleasanton, CA*	456	63.0	80.9	Q2 2009	Q4 2011	Q2 2012
4. Avalon Princeton Junction *West Windsor, NJ*	512	30.2	49.9	Q2 2009	Q1 2012	Q3 2012
5. Avalon at Cedar Ridge *Daly City, CA*	195	27.7	33.8	Q3 2009	Q4 2010	Q2 2011
6. Avalon Warm Springs *Fremont, CA*	235	36.5	44.0	Q4 2009	Q1 2011	Q3 2011
7. Avalon Summit *Quincy, MA*	245	17.7	26.8	Q2 2010	Q4 2011	Q2 2012
Total (3)	2,197	$ 271.4	$ 360.4			

(1) Total capitalized cost includes all capitalized costs projected to be or actually incurred to redevelop the respective Redevelopment Community, including land acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees, all as determined in accordance with GAAP.

(2) Restabilized operations is defined as the earlier of (i) attainment of 95% or greater physical occupancy or (ii) the one-year anniversary of completion of redevelopment.

(3) The Company commenced the redevelopment of Avalon at Prudential Center in Boston, MA and Crowne Ridge in San Rafael, CA during the second quarter 2010 for an estimated total capitalized cost of $35.4 million. The redevelopment of these communities is primarily focused on the exterior and/or common area and is not expected to have a material impact on community operations, including occupancy, or the expected future level of rental revenue. These communities are therefore included in the Established Community portfolio and not classified as Redevelopment Communities.

Development Rights

At June 30, 2010, we had $237,529,000 in acquisition and related capitalized costs for land parcels we own, and $87,611,000 in capitalized costs (including legal fees, design fees and related overhead costs) related to Development Rights for which we control the land parcel, typically through an option to purchase or lease the land. Collectively, the land held for development and associated costs for deferred development rights relate to 28 Development Rights for which we expect to develop new apartment communities in the future. The Development Rights range from those beginning design and architectural planning to those that have completed site plans and drawings and can begin construction almost immediately. We estimate that the successful completion of all of these communities would ultimately add approximately 7,329 apartment homes to our portfolio. Substantially all of these apartment homes will offer features like those offered by the communities we currently own.

For 12 Development Rights, we control the land through an option to purchase or lease the parcel. While we generally prefer to hold Development Rights through options to acquire land, for the remaining 16 Development Rights we either currently own the land or have executed a long term land lease for the parcel of land on which a community would be built if we proceeded with development.

For these 28 Development Rights we intend to develop approximately 7,329 apartment homes. The cumulative capitalized costs for land held for development as of June 30, 2010, includes $176,582,000 in original land acquisition costs. We also have $51,500,000 in future land acquisition costs under our Commitment, related to a Development Right in Brooklyn, NY, as discussed under "Off-Balance Sheet Arrangements" elsewhere within this Form 10-Q. The original land acquisition cost per home, including our obligation under the Commitment, ranged from $12,000 per home in Connecticut to $133,000 per home in New York City. In addition, the land for a Development Right that we control under a 99-year land lease agreement is subject to future minimum rental amounts of $6,500,000 per year.

The properties comprising the Development Rights are in different stages of the due diligence and regulatory approval process. The decisions as to which of the Development Rights to invest in, if any, or to continue to pursue once an investment in a Development Right is made, are business judgments that we make after we perform financial, demographic and other analyses. In the event that we do not proceed with a Development Right, we generally would not recover capitalized costs incurred in the pursuit of those communities, unless we were to recover amounts in connection with the sale of land; however, we cannot guarantee a recovery. Pre-development costs incurred in the pursuit of Development Rights for which future development is not yet considered probable are expensed as incurred. In addition, if the status of a Development Right changes, making future development no longer probable, any capitalized pre-development costs are charged to expense.

You should carefully review Section 1a., "Risk Factors," of our Form 10-K for a discussion of the risks associated with Development Rights.

	Location	Estimated number of homes	Total capitalized cost ($ millions) (1)
1.	Seattle, WA	204	$ 57
2.	Wilton, CT	100	31
3.	Plymouth, MA Phase II	91	18
4.	Greenburgh, NY Phase II	444	120
5.	Lynnwood, WA Phase II	82	18
6.	North Bergen, NJ	164	47
7.	Tysons Corner, VA I	354	80
8.	San Francisco, CA	173	65
9.	Wood-Ridge, NJ Phase I	266	60
10.	Cohasset, MA	220	52
11.	New York, NY Phase I	396	169
12.	Boston, MA	180	97
13.	Garden City, NY	160	51
14.	Andover, MA	115	27
15.	Shelton, CT	200	41
16.	Wood-Ridge, NJ Phase II	140	32
17.	Brooklyn, NY	861	443
18.	Dublin, CA Phase II	486	145
19.	Stratford, CT	130	25
20.	Huntington Station, NY	424	100
21.	Tysons Corner, VA II	338	87
22.	Ocean Township, NJ	309	57
23.	New York, NY Phase II	295	142
24.	Seattle, WA II	272	81
25.	Roselle Park, NJ	249	54
26.	Rockville, MD	240	57
27.	Ossining, NY	210	44
28.	Hackensack, NJ	226	48
	Total	7,329	$ 2,248

(1) Total capitalized cost includes all capitalized costs incurred to date (if any) and projected to be incurred to develop the respective community, determined in accordance with GAAP, including land acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees.

Other Land and Real Estate Assets

We own land parcels with a carrying value of approximately $112,900,000 that we do not currently plan to develop. These parcels consist of land that we (i) originally planned to develop and (ii) ancillary parcels acquired in connection with Development Rights that we had not planned to develop, as more fully described below.

> i) The land that we originally acquired for future development has an original cost of $151,986,000, and a current value of $90,499,000, and is comprised of nine parcels originally intended for the development of approximately 2,900 apartment homes. The current carrying value of these land parcels reflects impairment charges of $61,487,000 incurred in prior periods.
>
> ii) The out parcels and certain other land parcels that we acquired in connection with various development pursuits without a view to developing have a current carrying value of $22,402,000, which reflects impairment charges of $12,166,000 incurred in prior periods.

We believe that the current carrying value of $112,900,000 for all of these land parcels is such that there is no indication of impaired value, or further need to record a charge for impairment in the case of assets previously impaired. However we may be subject to the recognition of further charges for impairment in the event that there are indicators of such impairment, and we determine that the carrying value of the assets is greater than the current fair value, less costs to dispose.

Insurance and Risk of Uninsured Losses

We carry commercial general liability insurance and property insurance with respect to all of our communities. These policies, and other insurance policies we carry, have policy specifications, insured limits and deductibles that we consider commercially reasonable. There are, however, certain types of losses (such as losses arising from acts of war) that are not insured, in full or in part, because they are either uninsurable or the cost of insurance makes it, in management's view, economically impractical. You should carefully review the discussion under Item 1a., "Risk Factors," of our Form 10-K for a discussion of risks associated with an uninsured property or liability loss.

In August 2010, we renewed our general liability policy and worker's compensation coverage for a one year term, and experienced an increase in the premium on these policies of approximately 3%, which for the worker's compensation coverage primarily reflects increased volume at a slightly lower rate and for the general liability coverage reflects a marginal rate increase. For both policies, there were no material changes in the coverage.

Inflation and Deflation

Substantially all of our apartment leases are for a term of one year or less. In an inflationary environment, this may allow us to realize increased rents upon renewal of existing leases or the beginning of new leases. Short-term leases generally minimize our risk from the adverse effects of inflation, although these leases generally permit residents to leave at the end of the lease term and therefore expose us to the effect of a decline in market rents. In a deflationary rent environment, we may be exposed to declining rents more quickly under these shorter-term leases.

Forward-Looking Statements

This Form 10-Q contains "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by our use of the words "believe," "expect," "anticipate," "intend," "estimate," "assume," "project," "plan," "may," "shall," "will" and other similar expressions in this Form 10-Q, that predict or indicate future events and trends and that do not report historical matters. These statements include, among other things, statements regarding our intent, belief or expectations with respect to:

- our potential development, redevelopment, acquisition or disposition of communities;
- the timing and cost of completion of apartment communities under construction, reconstruction, development or redevelopment;
- the timing of lease-up, occupancy and stabilization of apartment communities;
- the pursuit of land on which we are considering future development;
- the anticipated operating performance of our communities;
- cost, yield, revenue, NOI and earnings estimates;
- our declaration or payment of distributions;

- our joint venture and discretionary fund activities;
- our policies regarding investments, indebtedness, acquisitions, dispositions, financings and other matters;
- our qualification as a REIT under the Internal Revenue Code;
- the real estate markets in Northern and Southern California and markets in selected states in the Mid-Atlantic, Midwest, New England, Metro New York/New Jersey and Pacific Northwest regions of the United States and in general;
- the availability of debt and equity financing;
- interest rates;
- general economic conditions including the recent economic downturn; and
- trends affecting our financial condition or results of operations.

We cannot assure the future results or outcome of the matters described in these statements; rather, these statements merely reflect our current expectations of the approximate outcomes of the matters discussed. We do not undertake a duty to update these forward-looking statements, and therefore they may not represent our estimates and assumptions after the date of this report. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. These risks, uncertainties and other factors may cause our actual results, performance or achievements to differ materially from the anticipated future results, performance or achievements expressed or implied by these forward-looking statements. You should carefully review the discussion under Item 1a., “Risk Factors,” on our Form 10-K for a discussion of risks associated with forward-looking statements.

In addition, these forward-looking statements represent our estimates and assumptions only as of the date of this report. We do not undertake a duty to update these forward-looking statements, and therefore they may not represent our estimates and assumptions after the date of this report.

Some of the factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements include, but are not limited to, the following:

- we may fail to secure development opportunities due to an inability to reach agreements with third-parties to obtain land at attractive prices or to obtain desired zoning and other local approvals;
- we may abandon or defer development opportunities for a number of reasons, including changes in local market conditions which make development less desirable, increases in costs of development, increases in the cost of capital or lack of capital availability, resulting in losses;
- construction costs of a community may exceed our original estimates;
- we may not complete construction and lease-up of communities under development or redevelopment on schedule, resulting in increased interest costs and construction costs and a decrease in our expected rental revenues;
- occupancy rates and market rents may be adversely affected by competition and local economic and market conditions which are beyond our control;
- financing may not be available on favorable terms or at all, and our cash flows from operations and access to cost effective capital may be insufficient for the development of our pipeline which could limit our pursuit of opportunities;
- our cash flows may be insufficient to meet required payments of principal and interest, and we may be unable to refinance existing indebtedness or the terms of such refinancing may not be as favorable as the terms of existing indebtedness;
- we may be unsuccessful in our management of Fund I, Fund II or the REIT vehicles that are used with each respective Fund; and
- we may be unsuccessful in managing changes in our portfolio composition.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, or different assumptions were made, it is possible that different accounting policies would have been applied, resulting in different financial results or a different presentation of our financial statements. Our critical accounting policies consist primarily of the following: (i) principles of consolidation, (ii) cost capitalization, (iii) asset impairment evaluation and (iv) REIT status. Our critical accounting policies and estimates have not changed materially from the discussion of our significant accounting policies found in Management's Discussion and Analysis and Results of Operations in our Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our exposures to market risk since December 31, 2009.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2010. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.

We continue to review and document our disclosure controls and procedures, including our internal controls and procedures for financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business.

(b) Changes in internal controls over financial reporting.

None.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

As previously reported, on August 13, 2008 the U.S. Attorney's Office for the Southern District of New York filed a civil lawsuit against the Company and the joint venture (CVP I, LLC) in which it has an interest that owns Avalon Chrystie Place. The lawsuit alleges that Avalon Chrystie Place was not designed and constructed in accordance with the accessibility requirements of the Fair Housing Act. The Company designed and constructed Avalon Chrystie Place with a view to compliance with New York City's Local Law 58, which for more than 20 years has been New York City's code regulating the accessible design and construction of apartments. After the filing of its answer and affirmative defenses, during the fourth quarter of 2009 the plaintiff served the Company with discovery requests relating to communities owned by the Company nationwide. The Company objected to these discovery requests as being overly broad, as the plaintiff's complaint made factual allegations with regard to Avalon Chrystie Place only. A magistrate judge agreed with the Company and limited discovery to Avalon Chrystie Place. The plaintiff is appealing the magistrate judge's ruling. Due to the preliminary nature of the Department of Justice matter, including whether the scope of their suit will be extended to other properties, we cannot predict or determine the outcome of that matter, nor is it reasonably possible to estimate the amount of loss, if any, that would be associated with an adverse decision or settlement.

In addition to the outstanding litigation described above, we are involved in various other claims and/or administrative proceedings that arise in the ordinary course of our business.

While no assurances can be given, we do not believe that any of these other outstanding litigation matters, individually or in the aggregate, will have a material adverse effect on our operations.

Item 1a. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors which could materially affect our business, financial condition or future results discussed in our Form 10-K in Part I, "Item 1a. Risk Factors." The risks described in our Form 10-K are not the only risks that could affect the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results in the future. There have been no material changes to our risk factors since December 31, 2009.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Dollar Amount that May Yet be Purchased Under the Plans or Programs (in thousands) (2)
April 1— April 30, 2010	156	$ 90.48	—	$ 200,000
May 1— May 31, 2010	6,049	$ 104.37	—	$ 200,000
June 1— June 30, 2010	—	—	—	$ 200,000

(1) Reflects shares surrendered to the Company in connection with vesting of restricted stock or exercise of stock options as payment of taxes or as payment of exercise price.

(2) As disclosed in our Form 10-Q for the quarter ended March 31, 2008, represents amounts remaining under the Company's $500,000,000 Stock Repurchase Program. There is no scheduled expiration date to this program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.		Description
3(i).1	—	Articles of Amendment and Restatement of Articles of Incorporation of AvalonBay Communities (the “Company”), dated as of June 4, 1998. (Incorporated by reference to Exhibit 3(i).1 to Form 10-K of the Company filed on March 1, 2007.)
3(i).2	—	Articles of Amendment, dated as of October 2, 1998. (Incorporated by reference to Exhibit 3(i).2 to Form 10-K of the Company filed on March 1, 2007.)
3(ii).1	—	Amended and Restated Bylaws of the Company, as adopted by the Board of Directors on May 21, 2009. (Incorporated by reference to Exhibit 3(ii).1 to Form 10-K of the Company filed on March 1, 2010.)
3(ii).2	—	Amendment to Amended and Restated Bylaws of the Company, dated February 10, 2010. (Incorporated by reference to Exhibit 3.2 to Form 8-K of the Company filed February 12, 2010.)
4.1	—	Indenture for Senior Debt Securities, dated as of January 16, 1998, between the Company and State Street Bank and Trust Company, as Trustee. (Incorporated by reference to Exhibit 4.1 to Registration Statement on form S-3 of the Company (File No. 333-139839), filed January 8, 2007.)
4.2	—	First Supplemental Indenture, dated as of January 20, 1998, between the Company and the State Street Bank and Trust Company as Trustee. (Incorporated by reference to Exhibit 4.2 to Registration Statement on Form S-3 of the Company (File No. 333-139839), filed January 8, 2007.)
4.3	—	Second Supplemental Indenture, dated as of July 7, 1998, between the Company and State Street Bank and Trust Company as Trustee. (Incorporated by reference to Exhibit 4.3 to Registration Statement on Form S-3 of the Company (File No. 333-139839), filed January 8, 2007.)
4.4	—	Amended and Restated Third Supplemental Indenture, dated as of July 10, 2000 between the Company and State Street Bank and Trust Company as Trustee. (Incorporated by reference to Exhibit 4.4 to Registration Statement on Form S-3 of the Company (File No. 333-139839), filed January 8, 2007.)
4.5	—	Fourth Supplemental Indenture, dated as of September 18, 2006 between the Company and U.S. Bank National Association as Trustee. (Incorporated by reference to Exhibit 4.5 to Registration Statement on Form S-3 of the Company (File No. 333-139839), filed January 8, 2007.)
4.6	—	Dividend Reinvestment and Stock Purchase Plan of the Company. (Incorporated by reference to Exhibit 8.1 to Registration Statement on Form S-3 of the Company (File No. 333-87063), filed September 14, 1999.)
4.7	—	Amendment to the Company’s Dividend Reinvestment and Stock Purchase Plan filed on December 17, 1999. (Incorporated by reference to the Prospectus Supplement filed pursuant to Rule 424(b)(2) of the Securities Act of 1933 on December 17, 1999.)
4.8	—	Amendment to the Company’s Dividend Reinvestment and Stock Purchase Plan filed on March 26, 2004. (Incorporated by reference to the Prospectus Supplement filed pursuant to Rule 424(b)(3) of the Securities Act of 1933 on March 26, 2004.)

Exhibit No.		Description
4.9	—	Amendment to the Company's Dividend Reinvestment and Stock Purchase Plan filed on May 15, 2006. (Incorporated by references to the Prospectus Supplement filed pursuant to Rule 424(b)(3) of the Securities Act of 1933 on May 15, 2006.)
10.1	—	Amended and Restated Deferred Compensation Plan adopted June 28, 2010. (Filed herewith.)
12.1	—	Statements re: Computation of Ratios. (Filed herewith.)
31.1	—	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer). (Filed herewith.)
31.2	—	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer). (Filed herewith.)
32	—	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer and Chief Financial Officer). (Furnished herewith.)
101	—	XBRL (Extensible Business Reporting Language). The following materials from AvalonBay Communities, Inc.'s Quarterly Report on form 10-Q for the period ended June 30, 2010, formatted in XBRL: (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of operations, (iii) condensed consolidated statements of cash flows, and (iv) notes to consolidated financial statements.*

* As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

SIGNATURES

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

AVALONBAY COMMUNITIES, INC.

Date: August 6, 2010	/s/ Bryce Blair Bryce Blair Chief Executive Officer (Principal Executive Officer)
Date: August 6, 2010	/s/ Thomas J. Sargeant Thomas J. Sargeant Chief Financial Officer (Principal Financial Officer)

Exhibit 10.1

AVALONBAY COMMUNITIES, INC.

DEFERRED COMPENSATION PLAN

Amended and Restated Effective as of January 1, 2011

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AVALONBAY COMMUNITIES, INC.
DEFERRED COMPENSATION PLAN

Amended and Restated Effective as of January 1, 2011

The AvalonBay Communities, Inc. Deferred Compensation Plan, effective as of January 1, 1996, as amended and restated as of January 1, 1999, as of January 1, 2004 and as of January 1, 2009, is hereby amended and restated in its entirety as follows, effective as of January 1, 2011 except as specifically provided herein.

PURPOSE

The purpose of this Plan is to provide specified benefits to a select group of management or highly compensated Employees who contribute materially to the continued growth, development and future business success of AvalonBay Communities, Inc. This Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA.

ARTICLE 1 — DEFINITIONS

For the purposes of this Plan, unless otherwise clearly apparent from the context, the following phrases or terms shall have the following indicated meanings:

1.1 “Annual Bonus” shall mean any compensation, in addition to Base Annual Salary, earned for services performed during the Plan Year by a Participant as an Employee under the Sponsor’s annual bonus (cash incentive) plan, but excluding stock options and stock grants.

1.2 “Annual Deferral Amount” shall mean that portion of a Participant’s Base Annual Salary and Annual Bonus that a Participant defers in accordance with Article 3 for any one Plan Year. In the event of a Participant’s termination of employment prior to the end of a Plan Year, such year’s Annual Deferral Amount shall be the actual amount withheld prior to such event.

1.3 “Base Annual Salary” shall mean the annual cash compensation included on the Federal Income Tax Form W-2 for such calendar year, excluding bonuses, commissions, overtime, fringe benefits, stock options, stock grants, relocation expenses, incentive payments, non-monetary awards, and automobile and other allowances paid to a Participant for employment services rendered (whether or not such allowances are included in the Employee’s gross income). Base Annual Salary shall be calculated before reduction for compensation voluntarily deferred or contributed by the Participant pursuant to all qualified or non-qualified plans of the Sponsor and shall be calculated to include amounts not otherwise included in the Participant’s gross income under Code Sections 125, 132(f), 402(e)(3), or 402(h) pursuant to plans established by the Sponsor; provided, however, that all such amounts will be included in compensation only to the extent that had there been no such plan, the amount would have been payable in cash to the Employee.

1.4 “Beneficiary” shall mean one or more persons, trusts, estates or other entities, designated in accordance with Article 7, that are entitled to receive benefits under this Plan upon the death of a Participant.

1.5 “Beneficiary Designation Form” shall mean the form established from time to time by the Retirement Planning Committee that a Participant completes, signs and returns to the Retirement Planning Committee to designate one or more Beneficiaries.

1.6 “Cause” shall mean that the Participant has been determined in good faith by the Board of Directors of the Company to have engaged in any one or more acts of theft, larceny, embezzlement, fraud or material intentional misappropriation from or with respect to the Company.

1.7 “Claimant” shall have the meaning set forth in Section 12.1.

1.8 “Code” shall mean the Internal Revenue Code of 1986, as it may be amended from time to time.

1.9 “Compensation Committee” shall mean the Compensation Committee of the Board of Directors of the Sponsor.

1.10 “Deferral Account” shall mean (i) the sum of all of a Participant’s Annual Deferral Amounts, plus (ii) amounts credited in accordance with all the applicable crediting and debiting provisions of this Plan that relate to the Participant’s Deferral Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to his or her Deferral Account. The Deferral Account shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant, or his or her Beneficiary, pursuant to this Plan.

1.11 “Election Form” shall mean the form established from time to time by the Retirement Planning Committee that a Participant completes, signs and returns to the Retirement Planning Committee to make an election under the Plan.

1.12 “Eligible Employee” shall mean, effective as of July 1, 2010, an Employee with a position of Senior Director and above and annualized Base Annual Salary of an amount equal to the then current compensation limit imposed by Section 401(a)(17) of the Code.

1.13 “Employee” shall mean a person who is an employee of the Sponsor or an affiliate of the Sponsor.

1.14 “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

1.15 “Newly Eligible Participant” shall mean an Eligible Employee who is not, and has not been, eligible to make any deferral elections under any nonqualified deferred compensation plan that would be aggregated with this Plan under Section 409A of the Code and the guidance issued thereunder.

1.16 “Non-Qualified Predetermined Annuity Account” shall mean an account maintained pursuant to the terms of the Plan in effect prior to January 1, 2004. Any such account shall continue to be maintained after January 1, 2004 until such account has been distributed to a Participant pursuant to the terms hereof.

1.17 “Participant” shall mean any Employee (i) who is selected to participate in the Plan, (ii) who signs an Election Form, (iii) whose signed Election Form is accepted by the Retirement Planning Committee, and (iv) whose participation in the Plan has not terminated.

1.18 “Plan” shall mean the AvalonBay Communities, Inc. Deferred Compensation Plan, which shall be evidenced by this instrument, as it may be amended from time to time.

1.19 “Plan Year” shall mean a period beginning on January 1 of each calendar year and continuing through December 31 of such calendar year.

1.20 “Retirement,” “Retire(s)” or “Retired” shall mean, with respect to an Employee, Separation from Service with the Sponsor (or any affiliate thereof) for any reason other than death or a leave of absence, following the date on which the sum of the following equals or exceeds 70 years: (i) the number of the Employee’s Years of Service and (ii) the Employee’s age upon Separation from Service, provided that the Employee is at least age 50 and has completed at least ten (10) Years of Service.

1.21 “Retirement Planning Committee” shall mean the committee described in Article 10.

1.22 “Separation from Service” or “Separates from Service” shall mean when the Participant and the Sponsor (or any affiliate thereof) reasonably anticipate that no further services would be performed by the Employee for the Sponsor (or any affiliate thereof) after a certain date or that the level of bona fide services the Participant would perform for the Sponsor (or any affiliate thereof) would permanently decrease to no more than 20 percent of the average level of bona fide services performed by the Participant for the Sponsor (or any affiliate thereof) over the immediately preceding 36-month period (or period of employment, if less than 36 months).

1.23 “Sponsor” shall mean AvalonBay Communities, Inc. and any successor to all or substantially all of the Sponsor’s assets or business.

1.24 “Trust” shall mean one or more trusts, if any, established by the Sponsor in its sole discretion.

1.25 “Unforeseeable Financial Emergency” shall mean a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant’s spouse, the Participant’s dependent (as defined in Section 152 of the Code without regard to Sections 152(b)(1), (b)(2) and (d)(1)(B)), loss of the Participant’s property due to casualty or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

1.26 “Years of Service” shall mean the total number of full years in which a Participant has been employed by the Sponsor (or any affiliate thereof). For purposes of this definition, a year of employment shall be a 365 day period (or 366 day period in the case of a leap year) that, for the first year of employment, commences on the Employee’s date of hiring and that, for any subsequent year, commences on an anniversary of that hiring date. The Retirement Planning

Committee shall make a determination as to whether any partial year of employment shall be counted as a Year of Service.

ARTICLE 2 — SELECTION, ENROLLMENT, ELIGIBILITY

2.1 Selection by Compensation Committee. Participation in the Plan shall be limited to Eligible Employees.

2.2 Enrollment Requirements. As a condition to participation, each selected Employee shall complete, execute and return to the Company an Election Form and a Beneficiary Designation Form, prior to the end of the Plan Year. In addition, the Retirement Planning Committee shall establish from time to time such other enrollment requirements as it determines in its sole discretion are necessary.

2.3 Eligibility; Commencement of Participation. Provided an Eligible Employee has met all enrollment requirements set forth in this Plan and required by the Retirement Planning Committee, including returning all required documents to the Retirement Planning Committee within the specified time period, that Eligible Employee shall commence participation in the Plan on the first day of the Plan Year following the completion of all enrollment requirements. If an Eligible Employee fails to meet all such requirements within the period required, in accordance with Section 2.2, that Eligible Employee shall not be eligible to participate in the Plan until the first day of the Plan Year following the delivery to and acceptance by the Retirement Planning Committee of the required documents.

2.4 Special Enrollment Rules for a Newly Eligible Participant. Notwithstanding the foregoing, effective as of July 1, 2010, a Newly Eligible Participant may enroll in the Plan by returning all required documents to the Retirement Planning Committee not later than 30 days after his or her date of hire; provided that the deferral for the first Plan Year of participation shall apply only to base salary paid for services to be performed subsequent to the election.

2.5 Termination of Participation and/or Deferrals. If the Retirement Planning Committee determines in good faith that a Participant no longer qualifies as an Eligible Employee, the Retirement Planning Committee shall have the right, in its sole discretion, to prevent the Participant from making deferral elections in future Plan Years.

ARTICLE 3 — DEFERRAL COMMITMENTS/VESTING/CREDITING/TAXES

3.1 Minimum Deferrals — Anpnual Deferral Amount. For each Plan Year, a Participant may elect to defer, as his or her Annual Deferral Amount, an aggregate minimum of one percent (1%) of his or her Base Annual Salary. If an election is made for less than stated minimum amounts, or if no election is made, the amount deferred shall be zero.

3.2 Maximum Deferral — Base Annual Salary and Annual Bonus. For each Plan Year beginning on or after January 1, 2011, a Participant may elect to defer, as his or her Annual Deferral Amount, Base Annual Salary and Annual Bonus. The maximum percentage for Base Annual Salary shall be twenty-five percent (25%), and the maximum percentage for Annual Bonus shall be fifty percent (50%).

3.3 Election to Defer; Effect of Election Form.

(a) First Plan Year. In connection with a Participant's commencement of participation in the Plan, the Participant shall make an irrevocable deferral election for the Plan Year in which the Participant commences participation in the Plan, along with such other elections as the Retirement Planning Committee deems necessary or desirable under the Plan. For these elections to be valid, the Election Form must be completed and signed by the Participant, timely delivered to the Retirement Planning Committee (in accordance with Section 2.2 or 2.4 above) and accepted by the Retirement Planning Committee.

(b) Subsequent Plan Years. For each succeeding Plan Year, an irrevocable deferral election for that Plan Year, and such other elections as the Retirement Planning Committee deems necessary or desirable under the Plan, shall be made by timely delivering to the Retirement Planning Committee, in accordance with its rules and procedures, before the end of the Plan Year preceding the Plan Year for which the election is made, a new Election Form. Elections to defer a percentage of Annual Bonus must be made before the end of the Plan Year preceding the Plan Year in which such Annual Bonus is earned.

3.4 Withholding of Annual Deferral Amounts. For each Plan Year, the Base Annual Salary portion of the Annual Deferral Amount shall be withheld from each regularly scheduled Base Annual Salary payroll in equal amounts, as adjusted from time to time for increases and decreases in Base Annual Salary. The Annual Bonus portion of the Annual Deferral Amount shall be withheld at the time the Annual Bonus is or otherwise would be paid to the Participant, whether or not this occurs during the Plan Year itself.

3.5 Vesting. A Participant shall at all times be 100% vested in his or her Deferral Account.

3.6 Crediting/Debiting of Deferral Accounts. In accordance with, and subject to, the rules and procedures that are established from time to time by the Retirement Planning Committee, in its sole discretion, amounts shall be credited or debited to a Participant's Deferral Account balance in accordance with the following rules:

(a) Measurement Funds. The Participant may elect one or more of the measurement funds (the "Measurement Funds"), based on certain mutual funds or other investment indices, for the purpose of crediting or debiting additional amounts to his or her Deferral Account balance. At least once each Plan Year, the Retirement Planning Committee or its delegate shall provide the Participant with a list of Measurement Funds available. As necessary, the Retirement Planning Committee may, in its sole discretion, discontinue, substitute or add a Measurement Fund.

(b) Election of Measurement Funds. A Participant, in connection with his or her initial deferral election in accordance with Section 3.3(a) above, shall elect, on the Election Form, one or more Measurement Fund(s) (as described in Section 3.6(a) above) to be used to determine the amounts to be credited or debited to his or her Deferral Account balance. The Participant may (but is not required to) subsequently elect at any time, in accordance with procedures established by the Retirement Planning Committee from time to time, to add or delete one or more Measurement Fund(s) to be used to determine the amounts to be credited or debited to his or her Deferral Account balance, or to change the portion of his or her Deferral Account balance allocated to each previously or newly elected Measurement Fund.

(c) Proportionate Allocation. In making any election described in Section 3.6(b) above, the Participant shall specify on the Election Form (or such other form of communication acceptable to the Committee), in increments of one percent (1%), the percentage of his or her Deferral Account balance to be allocated to a Measurement Fund (as if the Participant was making an investment in that Measurement Fund with that portion of his or her Deferral Account balance).

(d) Crediting or Debiting Method. The performance of each elected Measurement Fund (either positive or negative) will be based on the performance of the Measurement Funds themselves. A Participant's Deferral Account shall be credited or debited on a daily basis, if possible, based on the performance of each Measurement Fund selected by the Participant. A Participant's Deferral Account may also be debited by its proportionate share of the Plan's administrative expense.

(e) No Actual Investment. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the Measurement Funds are to be used for measurement purposes only, and a Participant's election of any such Measurement Fund, the allocation to his or her Deferral Account thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Deferral Account shall not be considered or construed in any manner as an actual investment of his or her Deferral Account in any such Measurement Fund. In the event that the Sponsor, in its own discretion, decides to invest in any of the investments on which the Measurement Funds are based, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Deferral Account balance shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Sponsor or the Trust; the Participant shall at all times remain an unsecured creditor of the Sponsor.

3.7 FICA and Other Taxes.

(a) Annual Deferral Amounts. For each Plan Year in which an Annual Deferral Amount is being withheld from a Participant, the Sponsor shall withhold from that portion of the Participant's Base Annual Salary and Annual Bonus that is not being deferred, in a manner determined by the Sponsor, the Participant's share of FICA and other employment taxes on such Annual Deferral Amount.

(b) Distributions. The Sponsor, or the trustee of the Trust, shall withhold from any payments made to a Participant under this Plan all federal, state and local income, employment and other taxes required to be withheld by the Sponsor, or the trustee of the Trust, in connection with such payments, in amounts and in a manner to be determined in the sole discretion of the Sponsor and the trustee of the Trust.

ARTICLE 4 — DEATH BENEFIT

4.1 Death Benefit. If the Participant dies before he or she Separates from Service, the Participant's Beneficiary shall receive a death benefit equal to the Participant's Deferral Account balance calculated as of the close of business on or around the date the benefit distribution is processed, as determined by the Retirement Planning Committee in its sole discretion.

4.2 Payment of Death Benefit. The death benefit shall be paid to the Participant's Beneficiary in a lump sum payment no later than 90 days after the Participant's death.

ARTICLE 5 — TERMINATION BENEFIT

5.1 Termination Benefit. If a Participant Separates his Service with the Sponsor, the Participant shall receive his or her Deferral Account balance calculated as of the close of business on or around the date the benefit distribution is processed, as determined by the Retirement Planning Committee in its sole discretion.

5.2 Payment of Termination Benefit. The Participant shall receive his or her Deferral Account balance in a lump sum payment in the seventh month following the Participant's Separation from Service. Notwithstanding the foregoing, if a Participant Retires and such Participant has elected prior to November 22, 2008 to receive his or her Deferral Account in annual or monthly installments over a period not exceeding ten (10) years, the Plan shall honor such election if the Deferral Account balance is at least $25,000 and the Participant will be paid on an installment basis rather than in a lump sum. If the Participant dies before completion of the installment payments, the unpaid remaining Deferral Account balance shall be paid to his or her Beneficiary in a lump sum no later than 90 days after the Participant's death.

5.3 Forfeiture if Termination for Cause. Notwithstanding anything contained herein to the contrary, if a Participant's employment with the Company is terminated for Cause, the portion of his or her Deferral Account attributable to Annual Deferral Amounts made after 2010, as adjusted pursuant to Section 3.6(d), shall be forfeited in its entirety.

ARTICLE 6 — SHORT-TERM PAYOUTS

6.1 Short-Term Payouts. From and after January 1, 2004, the Plan shall no longer permit any Participant to elect any short-term payouts during employment.

6.2 Grandfathered Election. To the extent a Participant has previously filed an election to receive his Non-Qualified Predetermined Annuity Account at a specified time, whether in a lump sum or in annual, quarterly or monthly installments over a period not exceeding ten (10) years, the Plan shall continue to honor such elections during the Participant's employment.

6.3 Withdrawal for Unforeseeable Financial Emergencies. If a Participant experiences an Unforeseeable Financial Emergency, the Participant may petition the Retirement Planning Committee to receive a partial or full payout from the Plan. The Committee shall determine if the event meets the criteria to be an Unforeseeable Financial Emergency. If approved, the amount of the withdrawal shall not exceed the lesser of the Participant's Deferral

Account balance or the amount reasonably needed to satisfy the Unforeseeable Financial Emergency and income taxes on the withdrawn amount. If, subject to the sole discretion of the Retirement Planning Committee, the petition for a withdrawal is approved, any distribution shall be made within 30 days of the date of approval. The Participant will be eligible to again participate in the Plan effective the Plan Year following the Unforeseeable Financial Emergency. The Retirement Planning Committee may permit a Participant to suspend his or her Annual Deferral Amount in the event of an Unforeseeable Financial Emergency.

ARTICLE 7 — BENEFICIARY DESIGNATION

7.1 Beneficiary. Each Participant shall have the right, at any time, to designate his or her Beneficiary(ies) (both primary as well as contingent) to receive any benefits payable under the Plan to a beneficiary upon the death of a Participant. The Beneficiary designated under this Plan may be the same as or different from the Beneficiary designation under any other plan of the Sponsor in which the Participant participates.

7.2 Beneficiary Designation; Change; Spousal Consent. A Participant shall designate his or her Beneficiary by completing and signing the Beneficiary Designation Form, and returning it to the Retirement Planning Committee or its designated agent. A Participant shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Retirement Planning Committee's rules and procedures, as in effect from time to time. If a married Participant names someone other than his or her spouse as a Beneficiary, a spousal consent, in the form designated by the Retirement Planning Committee, must be signed by that Participant's spouse and returned to the Retirement Planning Committee. Upon the acceptance by the Retirement Planning Committee of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be canceled. The Retirement Planning Committee shall be entitled to rely on the last Beneficiary Designation Form filed by the Participant and accepted by the Retirement Planning Committee prior to his or her death.

7.3 Acknowledgment. No designation or change in designation of a Beneficiary shall be effective until received by the Retirement Planning Committee or its designated agent.

7.4 No Beneficiary Designation. If a Participant fails to designate a Beneficiary as provided in Sections 7.1, 7.2 and 7.3 above, if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, or if a married Participant fails to provide a written spousal consent form, then the Participant's designated Beneficiary shall be deemed to be his or her surviving spouse. If the Participant has no surviving spouse, the benefits remaining under the Plan to be paid to a Beneficiary shall be payable to the executor or personal representative of the Participant's estate.

7.5 Doubt as to Beneficiary. If the Retirement Planning Committee has any doubt as to the proper Beneficiary to receive payments pursuant to this Plan, the Retirement Planning Committee shall have the right, exercisable in its discretion, to cause the Sponsor to withhold such payments until this matter is resolved to the Retirement Planning Committee's satisfaction.

7.6 Discharge of Obligations. The payment of benefits under the Plan to a Beneficiary shall fully and completely discharge the Sponsor and the Retirement Planning Committee from all further obligations under this Plan with respect to the Participant, and that Participant's participation in the Plan shall terminate upon such full payment of benefits.

ARTICLE 8 — LEAVE OF ABSENCE

8.1 Leave of Absence. If a Participant is authorized by the Sponsor for any reason to take an unpaid leave of absence from the employment of the Sponsor, the Participant shall continue to be considered employed by the Sponsor but the Participant shall not be permitted to make deferrals until the Participant returns to work. Upon such return, deferrals shall resume for the remaining portion of the Plan Year in which the return occurs, based on the deferral election, if any, made for that Plan Year. If no election was made for that Plan Year, no deferral shall be withheld.

ARTICLE 9 — TERMINATION, AMENDMENT OR MODIFICATION

9.1 Termination. Although the Sponsor anticipates that it will continue the Plan for an indefinite period of time, there is no guarantee that the Sponsor will continue the Plan or will not terminate the Plan at any time in the future. Accordingly, the Sponsor reserves the right to discontinue its sponsorship of the Plan and/or to terminate the Plan at any time with respect to any or all of its participating Employees. Upon the termination of the Plan with respect to the Sponsor, the affected Participants' participation in the Plan shall terminate effective as of the end of the Plan Year in which the Plan termination occurs. Distributions shall be made to the Participants in the normal course, but the Sponsor may accelerate the distributions to the extent permitted by Section 409A of the Code and the regulations promulgated thereunder.

9.2 Amendment. The Sponsor may, at any time, amend or modify the Plan in whole or in part; provided, however, that no amendment or modification shall be effective to decrease or restrict the value of a Participant's Deferral Account balance in existence at the time the amendment or modification is made. The amendment or modification of the Plan shall not affect the right of any Participant or Beneficiary who has become entitled to the payment of benefits under the Plan as of the date of the amendment or modification to receive such payment.

9.3 Delegation to Retirement Planning Committee. The Sponsor has delegated its rights to act under Sections 9.1 and 9.2 above to the Retirement Planning Committee and the Retirement Planning Committee shall have the full power to take action under Sections 9.1 and 9.2.

9.4 Effect of Payment. The full payment of the applicable benefit under Articles 4, 5, or 6 of the Plan shall completely discharge all obligations to a Participant and his or her designated Beneficiaries under this Plan and the Participant's participation in the Plan shall terminate.

ARTICLE 10 — ADMINISTRATION

10.1 Retirement Planning Committee Duties. Except as otherwise provided in this Article 10, this Plan shall be administered by the Retirement Planning Committee of the Sponsor.

The Retirement Planning Committee shall also have the discretion and authority to (i) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and (ii) decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan. Any individual serving on the Retirement Planning Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. When making a determination or calculation, the Retirement Planning Committee shall be entitled to rely on information furnished by a Participant or the Sponsor.

10.2 Agents. In the administration of this Plan, the Retirement Planning Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit (including acting through a duly appointed representative) and may from time to time consult with counsel who may be counsel to, and paid by, the Sponsor.

10.3 Binding Effect of Decisions. The decision or action of the Retirement Planning Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

10.4 Exculpation and Indemnity of Retirement Planning Committee. The Sponsor shall indemnify and hold harmless the members of the Retirement Planning Committee and any Employee to whom the duties of the Retirement Planning Committee may be delegated against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct or gross negligence by the Retirement Planning Committee, any of its members, or any such Employee. By electing to enroll in the Plan, each Participant shall acknowledge that except in the case of claims for benefits, he or she shall have no right to file any claim against the Retirement Planning Committee or the Sponsor unless such claim is attributed to the willful misconduct or gross negligence of the Retirement Planning Committee, any of its members, or any Employee of the Sponsor.

10.5 Sponsor Information. To enable the Retirement Planning Committee to perform its functions, the Sponsor shall supply full and timely information to the Retirement Planning Committee, as the case may be, on all matters relating to the compensation of its Participants, the date and circumstances of the death or Separation from Service of its Participants, and such other pertinent information as the Retirement Planning Committee may reasonably require.

ARTICLE 11 — OTHER BENEFITS AND AGREEMENTS

11.1 Coordination with Other Benefits. The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for employees of the Sponsor. The Plan shall supplement and shall not supersede, modify or amend any other such plan or program except as may otherwise be expressly provided.

ARTICLE 12 — CLAIMS PROCEDURES

12.1 Presentation of Claim. Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the

Retirement Planning Committee a written claim for a determination with respect to the amounts distributable to such Claimant from the Plan. If such a claim relates to the contents of a notice received by the Claimant, the claim must be made within 60 days after such notice was received by the Claimant. All other claims must be made within 180 days of the date on which the event that caused the claim to arise occurred. The claim must state with particularity the determination desired by the Claimant.

12.2 Notification of Decision. The Retirement Planning Committee shall consider a Claimant's claim within a reasonable time, and shall notify the Claimant in writing:

(a) that the Claimant's requested determination has been made, and that the claim has been allowed in full; or

(b) that the Retirement Planning Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant:

(i) the specific reason(s) for the denial of the claim, or any part of it;

(ii) specific reference(s) to pertinent provisions of the Plan upon which such denial was based;

(iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary;

(iv) an explanation of the claim review procedure set forth in Section 13.3 below; and

(v) a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA if the claim is appealed to the Retirement Planning Committee and the Retirement Planning Committee fully or partially denies the claim.

12.3 Review of a Denied Claim. Within 60 days after receiving a notice from the Retirement Planning Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Retirement Planning Committee a written request for a review of the denial of the claim. Thereafter, but not later than 30 days after the review procedure began, the Claimant (or the Claimant's duly authorized representative):

(a) may review pertinent documents;

(b) may submit written comments or other documents; and/or

(c) may request a hearing, which the Retirement Planning Committee, in its sole discretion, may grant.

12.4 Decision on Review. The Retirement Planning Committee shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of the denial, unless a hearing is held or other special circumstances require additional time, in which case the Retirement Planning Committee's decision must be rendered within 120 days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain:

(a) specific reasons for the decision;

(b) specific reference(s) to the pertinent Plan provisions upon which the decision was based;

(c) a statement of the Claimant's right to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits; and

(d) a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA.

12.5 Legal Action. A Claimant's compliance with the foregoing provisions of this Article 12 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under this Plan.

ARTICLE 13 — TRUST

13.1 Establishment of the Trust. In order to provide assets from which to fulfill the obligations of the Participants and their beneficiaries under the Plan, the Sponsor shall establish a Trust by a trust agreement with a third party, the trustee, to which the Sponsor may, in its discretion, contribute cash or other property, including securities issued by the Sponsor, to provide for the benefit payments under the Plan.

13.2 Interrelationship of the Plan and the Trust. The provisions of the Plan shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust shall govern the rights of the Sponsor, Participants and the creditors of the Sponsor to the assets transferred to the Trust. The Sponsor shall at all times remain liable to carry out its obligations under the Plan, subject to any limitation imposed by bankruptcy laws.

13.3 Distributions From the Trust. The Sponsor's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution shall reduce the Sponsor's obligations under this Plan.

ARTICLE 14 — MISCELLANEOUS

14.1 Status of Plan. The Plan is intended to be a plan that is not qualified within the meaning of Code Section 401(a) and that "is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of ERISA Sections 201(2), 301(a)(3) and 401(a)(1). The Plan is also intended to comply with the requirements of Section 409A of the

Code. The Plan shall be administered and interpreted to the extent possible in a manner consistent with that intent.

14.2 Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of the Sponsor. For purposes of the payment of benefits under this Plan, any and all of the Sponsor's assets shall be, and remain, the general, unpledged unrestricted assets of the Sponsor. The Sponsor's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

14.3 Sponsor's Liability. The Sponsor's liability for the payment of benefits shall be defined only by the Plan. The Sponsor shall have no obligation to a Participant under the Plan except as expressly provided in the Plan.

14.4 Nonassignability. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency. Notwithstanding the foregoing, assets can be assigned to an individual other than a Participant to the extent necessary to fulfill a domestic relations order.

14.5 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Sponsor and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, unless expressly provided in a written employment agreement. Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of the Sponsor, as an Employee, or to interfere with the right of the Sponsor to discipline or discharge the Participant at any time.

14.6 Furnishing Information. A Participant or his or her Beneficiary will cooperate with the Retirement Planning Committee by furnishing any and all information requested by the Retirement Planning Committee and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder.

14.7 Terms. Whenever any words are used herein in the masculine, they shall be construed as though they were in the feminine in all cases where they would so apply; and whenever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.

14.8 Captions. The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

14.9 Governing Law. Subject to ERISA, the provisions of this Plan shall be construed and interpreted according to the internal laws of the State of Maryland without regard to its conflicts of laws principles.

14.10 Notice. Any notice or filing required or permitted to be given to the Retirement Planning Committee under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

AvalonBay Communities Retirement Planning Committee
c/o AvalonBay Communities, Inc.
Ballston Tower
671 N. Glebe Road, Suite 800
Arlington, VA 22203
Attention: Senior Director, Compensation & Benefits

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

14.11 Successors. The provisions of this Plan shall bind and inure to the benefit of the Sponsor and its successors and assigns and the Participant and the Participant's designated Beneficiaries.

14.12 Spouse's Interest. The interest in the benefits hereunder of a spouse of a Participant who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.

14.13 Validity. In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.

14.14 Incompetent. If the Retirement Planning Committee determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Retirement Planning Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Retirement Planning Committee may require proof of minority, incompetence, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.

14.15 Court Order. The Retirement Planning Committee is authorized to make any payments directed by court order in any action in which the Plan or the Retirement Planning Committee has been named as a party. In addition, if a court determines that a spouse or former spouse of a Participant has an interest in the Participant's benefits under the Plan in connection with a property settlement or otherwise, the Retirement Planning Committee shall have the right, notwithstanding any election made by a Participant, to distribute the spouse's or former spouse's interest in the Participant's benefits under the Plan to that spouse or former spouse pursuant to the terms of the domestic relations order.

14.16 Distribution in the Event of Taxation.

If, for any reason, all or any portion of a Participant's benefits under this Plan becomes taxable to the Participant prior to receipt on account of failure to meet the requirements of Section 409A of the Code, the Participant may petition the Retirement Planning Committee for a distribution of that portion of his or her benefit that has become taxable. Upon the grant of such a petition, which grant shall not be unreasonably withheld, the Sponsor shall distribute to the Participant immediately available funds in an amount equal to the taxable portion of his or her benefit (which amount shall not exceed a Participant's unpaid Deferral Account balance under the Plan). If the petition is granted, the tax liability distribution shall be made within 90 days of the date when the Participant's petition is granted.

IN WITNESS WHEREOF, the Sponsor has caused this amended and restated Plan document to be duly executed by a duly authorized officer this 28th day of June, 2010.

AVALONBAY COMMUNITIES, INC.

By: /s/ Keri A. Shea
Keri A. Shea
VP, Finance & Treasurer

Exhibit 12.1

AVALONBAY COMMUNITIES, INC.
RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

	Six Months Ended June 30, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008 (1)	Year Ended December 31, 2007 (1)	Year Ended December 31, 2006 (1)
Income from continuing operations before cumulative effect of change in accounting principle	$ 48,972	$ 76,413	$ 98,492	$ 219,364	$ 137,306
(Plus):					
Equity in income of unconsolidated entities, net of distributions received	2,093	5,475	6,728	9,532	7,478
Amortization of capitalized interest (2)	7,343	14,035	12,428	9,941	7,503
Earnings before fixed charges	$ 58,408	$ 95,923	$ 117,648	$ 238,837	$ 152,287
(Plus) Fixed charges:					
Portion of rents representative of the interest factor	$ 2,907	$ 6,241	$ 5,287	$ 3,165	$ 1,410
Interest expense	83,999	150,323	114,910	92,175	103,910
Interest capitalized	19,491	48,226	74,621	73,118	46,388
Preferred dividend	—	—	10,454	8,700	8,700
Total fixed charges (3)	$ 106,397	$ 204,790	$ 205,272	$ 177,158	$ 160,408
(Less):					
Interest capitalized	19,491	48,226	74,621	73,118	46,388
Preferred dividend	—	—	10,454	8,700	8,700
Earnings (4)	$ 145,314	$ 252,487	$ 237,845	$ 334,177	$ 257,607
Ratio (4 divided by 3)	1.37	1.23	1.16	1.89	1.61

AVALONBAY COMMUNITIES, INC.
RATIOS OF EARNINGS TO FIXED CHARGES

	Six Months Ended June 30, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008 (1)	Year Ended December 31, 2007 (1)	Year Ended December 31, 2006 (1)
Income from continuing operations before cumulative effect of change in accounting principle	$ 48,972	$ 76,413	$ 98,492	$ 219,364	$ 137,306
(Plus):					
Equity in income of unconsolidated entities, net of distributions received	2,093	5,475	6,728	9,532	7,478
Amortization of capitalized interest (2)	7,343	14,035	12,428	9,941	7,503
Earnings before fixed charges	$ 58,408	$ 95,923	$ 117,648	$ 238,837	$ 152,287
(Plus) Fixed charges:					
Portion of rents representative of the interest factor	$ 2,907	$ 6,241	$ 5,287	$ 3,165	$ 1,410
Interest expense	83,999	150,323	114,910	92,175	103,910
Interest capitalized	19,491	48,226	74,621	73,118	46,388
Total fixed charges (3)	$ 106,397	$ 204,790	$ 194,818	$ 168,458	$ 151,708
(Less):					
Interest capitalized	19,491	48,226	74,621	73,118	46,388
Earnings (4)	$ 145,314	$ 252,487	$ 237,845	$ 334,177	$ 257,607
Ratio (4 divided by 3)	1.37	1.23	1.22	1.98	1.70

(1) The results of operations for 2006 through 2010 have been adjusted to reflect discontinued operations for properties sold or held for sale as of June 30, 2010.

(2) Represents an estimate of capitalized interest costs based on the Company’s established depreciation policy and an analysis of interest costs capitalized since 1998 (the year in which AvalonBay was formed).

CERTIFICATION

I, Bryce Blair, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AvalonBay Communities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2010

/s/ Bryce Blair

Bryce Blair
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Thomas J. Sargeant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AvalonBay Communities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2010

/s/ Thomas J. Sargeant

Thomas J. Sargeant
Chief Financial Officer

EXHIBIT 32

CERTIFICATION

The undersigned officers of AvalonBay Communities, Inc. (the “Company”) hereby certify that the Company’s quarterly report on Form 10-Q to which this certification is attached (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2010

/s/ Bryce Blair
Bryce Blair
Chief Executive Officer

/s/ Thomas J. Sargeant
Thomas J. Sargeant
Chief Financial Officer

This certification is being furnished and not filed, and shall not be incorporated into any document for any purpose, under the Securities Exchange Act of 1934 or the Securities Act of 1933.