

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1999

Commission file number 1-12672

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

Maryland  
(State or other jurisdiction of  
incorporation or organization)

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

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

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

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

<TABLE> <S>	<C>
Common Stock, par value \$.01 per share	New York Stock Exchange, Pacific
Exchange	
Preferred Stock Purchase Rights	New York Stock Exchange, Pacific
Exchange	
8.50% Series C Cumulative Redeemable Preferred Stock, Exchange	New York Stock Exchange, Pacific
par value \$.01 per share	
8.00% Series D Cumulative Redeemable Preferred Stock, Exchange	New York Stock Exchange, Pacific
par value \$.01 per share	
9.00% Series F Cumulative Redeemable Preferred Stock, Exchange	New York Stock Exchange, Pacific
par value \$.01 per share	
8.96% Series G Cumulative Redeemable Preferred Stock, Exchange	New York Stock Exchange, Pacific
par value \$.01 per share	
8.70% Series H Cumulative Redeemable Preferred Stock, Exchange	New York Stock Exchange, Pacific
par value \$.01 per share	
(Title of each class)	(Name of each exchange on which registered)

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

</TABLE>

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 [Y] No [ ]

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

The aggregate market value of the voting stock held by nonaffiliates of the Registrant, as of March 1, 2000 was \$2,256,084,969.

The number of shares of the Registrant's Common Stock, par value \$.01 per share, outstanding as of March 1, 2000 was 65,871,094.

Documents Incorporated by Reference

Portions of AvalonBay Communities, Inc.'s Proxy Statement for the 2000 annual meeting of stockholders, a definitive copy of which will be filed with the SEC within 120 days after the year end of the year covered by this Form 10-K, are incorporated by reference herein as portions of Part III of this Form 10-K.

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PART I

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Our actual results could differ materially from those set forth in each forward-looking statement. Certain factors that might cause such a difference are discussed in this report, including in the section entitled "Forward-Looking Statements" on page 36 of this Form 10-K.

ITEM 1. BUSINESS

General

AvalonBay Communities, Inc. is a Maryland corporation that has elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended. We focus on the ownership and operation of upscale apartment communities in high barrier-to-entry markets of the United States. These markets include Northern and Southern California and selected states in

the Mid-Atlantic, Northeast, Midwest and Pacific Northwest regions of the country. AvalonBay is the surviving corporation from the merger of Avalon Properties, Inc. with and into Bay Apartment Communities, Inc. In connection with the merger, Avalon Properties, Inc. ceased to exist and we changed our name from Bay Apartment Communities, Inc. to AvalonBay Communities, Inc.

As of March 1, 2000, we owned or held a direct or indirect ownership interest in 121 operating apartment communities containing 35,648 apartment homes in eleven states and the District of Columbia, of which four communities containing 1,455 apartment homes were under redevelopment. In addition to these operating communities, we also owned 12 communities under construction that will contain 3,173 apartment homes and rights to develop ("Development Rights") an additional 30 communities that, if developed as expected, will contain an estimated 8,624 apartment homes. We generally obtain ownership in an apartment community by developing vacant land into a new community or by acquiring and either repositioning or redeveloping an existing community. In selecting sites for development, redevelopment or acquisition, we favor locations that are near expanding employment centers and convenient to recreation areas, entertainment, shopping and dining.

Our principal operating objectives are to increase operating cash flow and Funds from Operations, or FFO, and, as a result, long-term stockholder value. For a description of the meaning of FFO and its use and limitation as an operating measure, see the discussion titled "Funds from Operations" in Item 7 of this report. Our strategies and goals to achieve these objectives include:

- generating consistent, sustained earnings growth at each community through increased revenue, by balancing high occupancy with premium pricing, and increased operating margins from aggressive operating expense management;
- investing selectively in new development, redevelopment and acquisition communities in markets with growing demand and high barriers-to-entry;
- disposing of communities in markets where we have limited market presence; and
- maintaining a conservative capital structure to provide continued access to capital markets at a cost that is low enough in relation to the expected yields on our developments and redevelopments that financing of new undertakings is desirable.

We believe that we can generally implement these strategies best by building, rebuilding, acquiring and managing upscale assets in supply-constrained markets while maintaining the financial discipline to ensure balance sheet flexibility. We believe that we can achieve high occupancy levels, increased rental rates and growth in cash flow, although we cannot provide assurance that these results will be achieved.

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

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

After selecting a target site, we negotiate for the right to acquire the site either through an option or a long-term conditional contract. After we acquire land, we generally shift our focus to construction. Except for certain mid-rise and high-rise apartment communities where we have historically used third-party general contractors, we act as our own general contractor. We believe this enables us to achieve higher quality, greater control over schedules and significant cost savings. Our development and property management teams monitor construction progress to ensure high quality workmanship and a smooth and timely transition into the leasing and operational phase.

Redevelopment Strategy. We selectively seek existing under-managed apartment communities in fully-developed neighborhoods and create value by substantially rebuilding these communities. When we undertake the redevelopment of a

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

Disposition Strategy. During 1998, we determined that we would pursue a disposition strategy for certain assets in markets that did not meet our long-term strategic direction. This disposition strategy also acts as a source of capital because we are able to redeploy the net proceeds from our dispositions in lieu of raising that amount of capital externally. Under this program, we solicit competing bids from unrelated parties for these individual assets, and consider the sales price and tax ramifications of each proposal. In connection with this disposition program, we have disposed of a total of 24 communities and a participating mortgage note since September 1998. The net proceeds from the sale of these assets were approximately \$384,143,000. We intend to actively seek buyers for the remaining communities held for sale. We anticipate reinvesting capital obtained from dispositions of these assets into development of new communities and redevelopment of existing communities that offer greater investment returns and long-term growth potential than those communities identified for disposition. However, we cannot provide assurance that we will be able to complete our disposition strategy or that assets identified for sale can be sold on terms that are satisfactory to us.

Acquisition Strategy. We have observed and been impacted by a reduction in the availability of cost effective capital beginning in the third quarter of 1998. As a result, we limited our acquisition activity in 1999 to the purchase of one community that we acquired on a presale basis in connection with a forward purchase agreement signed in 1997 with an unaffiliated party. The forward purchase agreement provided for the purchase of ten communities, primarily in the Pacific Northwest and Midwest regions of the country, to be developed. The remaining nine presale acquisitions are expected to close during the next 31 months for an estimated aggregate purchase price of \$347.1 million. Together, these communities are expected to contain 2,753 apartment homes when completed. We will manage these communities after acquiring ownership. This expansion is consistent with our strategy to achieve long term earnings growth by providing a high quality platform for expansion while also providing additional economic and geographic diversity. We believe that the acquisition of these presale communities will enable us to achieve rapid penetration into supply-constrained markets. We believe that we have now targeted and penetrated substantially all of the high barrier-to-entry markets of the United States.

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Property Management Strategy. We intend to increase earnings through innovative, proactive property management that will result in higher revenue from communities. Our principle strategies for maximizing revenue include:

- intense focus on resident satisfaction;
- increasing rents as market conditions permit; and
- managing community occupancy for optimal rental revenue levels.

Generally, lease terms are staggered based on vacancy exposure by apartment type, so that lease expirations are better matched to each community's traffic patterns. On-site property management teams receive bonuses based largely upon the net operating income produced at their respective communities. We are also pursuing ancillary services which could provide additional revenue sources.

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

- record invoices on-site to ensure careful monitoring of budgeted versus actual expenses;
- purchase supplies in bulk where possible;
- bid on third-party contracts on a volume basis;
- perform turnover work in-house or hire third-parties generally depending upon the least costly alternative; and
- undertake preventive maintenance regularly to maximize resident satisfaction and property and equipment life.

In addition, we strive to retain residents through high levels of service in order to eliminate the cost of preparing an apartment home for a new resident and to reduce marketing and utility costs.

On a limited basis, we also manage properties for third parties, believing that doing so will provide information about new markets or provide an acquisition opportunity, thereby enhancing opportunities for growth.

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

We are currently engaged in the development of an innovative on-site property management system and a leasing automation system to enable management to capture, review and analyze data to a greater extent than is possible using existing commercial software. We have entered into a formal joint venture agreement, in the form of a limited liability company agreement, with United Dominion Realty Trust, Inc., another public multifamily real estate company, to continue development of these systems and system software, which are collectively referred to in this discussion as the "system." The system development process is currently managed by our employees, who have significant related project management experience, and the employees of the joint venturer. The actual programming and documentation of the system is being conducted by our employees, the employees of our joint venturer and third party consultants under the supervision of these experienced project managers. We currently expect that the total development costs over a three-year period will be approximately \$7.5 million including hardware costs and expenses, the costs of employees and related overhead, and the costs of engaging third party consultants. These development costs will be shared on an equal basis by us and our joint venturer. Once developed, we intend to use the property management system in place of current property management information software for which we pay a license fee to third parties, and we intend to use the leasing automation system to make

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the lease application process easier for residents and more efficient for us to manage. We currently project that the property management system will undergo an on-site test (i.e., a "beta test") during the third quarter of 2000 and that the system will be functional and implemented during 2001. The leasing automation system is currently in beta testing at two communities.

We believe that when implemented the system will result in cost savings due to increased data reliability and efficiencies in management time and overhead, and that these savings will largely offset the expense associated with amortizing the system development costs and maintaining the software. We also believe that it is possible that other real estate companies may desire to use the system concept and system software that we are developing and that therefore there may be an opportunity to recover, in the future, a portion of our investment by licensing the system to others. However, at the present time these potential cost savings and ancillary revenue are speculative, and we cannot assure that the system will provide sufficient benefits to offset the cost of development and maintenance.

We have never before engaged in the development of systems or system software on this scale and have never licensed a system concept or system software to others. There are a variety of risks associated with the development of the system, both for internal use and for potential sale or licensing to third parties. Among the principal risks associated with this undertaking are the following:

- we may not be able to maintain the schedule or budget that we have projected for the development and implementation of the system;
- we may be unable to implement the system with the functionality and efficiencies we desire on commercially reasonable terms;
- we may decide not to endeavor to license the system to other enterprises, the system may not be attractive to other enterprises, and we may not be able to effectively manage the licensing of the system to other enterprises; and
- the system may not provide AvalonBay with meaningful cost savings or a meaningful source of ancillary revenues.

The occurrence of any of the events described above could prevent us from achieving increased efficiencies, realizing revenue growth produced by ancillary revenues or recovering our initial investment.

Financing Strategy. We have consistently maintained, and intend to continue to maintain, a conservative capital structure, largely comprised of common equity. At December 31, 1999, debt-to-total market capitalization was 36.6%, and permanent long-term floating rate debt, not including borrowings under the

unsecured facility, was only 1.6% of total market capitalization. We currently intend to limit long-term floating rate debt to less than 10% of total market capitalization, although that policy may change from time to time.

We have observed and been impacted by a reduction in the availability of cost effective capital beginning in the third quarter of 1998. We cannot assure you that cost effective capital will be available to meet future expenditures required to begin planned reconstruction activity or the construction of the Development Rights. Before planned reconstruction activity or the construction of a Development Right begins, we intend to arrange adequate capital sources to complete such undertakings, although we cannot assure you that we will be able to obtain such financing. In the event that financing cannot be obtained, we may have to abandon Development Rights, write-off associated pursuit costs and forego reconstruction activity which we believe would have increased revenues and earnings.

We estimate that a significant portion of our liquidity needs will be met from retained operating cash and borrowings under our \$600,000,000 variable rate unsecured credit facility. At March 1, 2000, \$203,500,000 was outstanding, \$75,481,000 was used to provide letters of credit and \$321,019,000 was available for borrowing under the unsecured facility. If required, to meet the balance of our liquidity needs we will need to arrange additional capacity under our existing unsecured facility, sell additional existing communities and/or issue additional debt or equity securities. While we believe we have the financial position to expand our short term credit capacity and support our capital markets activity, we cannot assure you that we will be successful in completing these arrangements, sales or offerings. The failure to complete these transactions on a cost-effective basis could have a

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material adverse impact on our operating results and financial condition, including the abandonment of deferred development costs and a resultant charge to earnings.

For the year ended December 31, 1999, FFO increased to \$212,840,000 from \$148,487,000 for the year ended December 31, 1998. FFO for the year ended December 31, 1998 reflects the operating results for Avalon through June 4, 1998 and for the combined company after that date.

#### Inflation and Tax Matters

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

We filed an election with our initial federal income tax return to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and intend to maintain our qualification as a REIT in the future. As a qualified REIT, with limited exceptions, we will not be taxed under federal and certain state income tax laws at the corporate level on our net income to the extent net income is distributed to our stockholders. We expect to distribute all of our taxable income and therefore generally avoid income tax at the corporate level.

#### Environmental Matters

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

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Certain federal, state and local laws, regulations and ordinances govern the

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

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

However, we are aware that the migration of contamination from an upgradient landowner near Toscana, a community owned by us, has affected the groundwater there. The upgradient landowner is undertaking remedial response actions and as of December 31, 1999, a ground water treatment system had been installed. We expect that the upgradient landowner will take all necessary remediation actions and ensure the ongoing operation and maintenance of the ground water treatment system. The upgradient landowner has also provided an indemnity that runs to current and future owners of the Toscana property and upon which we may be able to rely if it incurs environmental liability arising from the groundwater contamination. We are also aware that certain communities have lead paint and we are undertaking or intend to undertake appropriate remediation.

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

We cannot provide assurance that:

- the environmental assessments identified all potential environmental liabilities;
- no prior owner created any material environmental condition not known to us or the consultants who prepared the assessments;
- no environmental liabilities developed since such environmental assessments were prepared;
- the condition of land or operations in the vicinity of our communities, such as the presence of underground storage tanks, will not affect the environmental condition of such communities; or
- future uses or conditions, including, without limitation, changes in applicable environmental laws and regulations, will not result in the imposition of environmental liability.

ITEM 2. COMMUNITIES

Our real estate investments as of March 1, 2000 consist primarily of stabilized operating apartment communities, communities in various stages of the development and redevelopment cycle and land or land options held for development. We classify these investments into the following categories:

<TABLE>  
<CAPTION>

	Number of communities -----	Number of apartment homes -----
<S> Current Communities -----	<C> 121	<C> 35,648
Stabilized Communities	117	34,193
Established Communities:	63	17,706
Northern California	25	6,461
Southern California	3	600

Mid-Atlantic	18	5,259
Northeast	16	4,888
Midwest	1	498
Other Stabilized Communities:	54	16,487
Northern California	10	2,988
Southern California	13	4,476
Mid-Atlantic	4	1,240
Northeast	16	5,111
Midwest	7	1,717
Pacific Northwest	4	955
Lease-Up Communities	-	-
Redevelopment Communities	4	1,455
Development Communities	12	3,173
- - - - -		
Development Rights	30	8,624 (*)
- - - - -		

</TABLE>

(\*) Represents an estimate

Current Communities are apartment communities that have been completed and have reached occupancy of at least 95%, have been complete for one year, are in the initial lease-up process or are under redevelopment. Current Communities consist of the following:

Stabilized Communities. Represents all Current Communities that have completed initial lease-up by attaining physical occupancy levels of at least 95% or have been completed for one year, whichever occurs earlier. Stabilized Communities are categorized as either Established Communities or Other Stabilized Communities.

- Established Communities. Represents all Stabilized Communities owned by Avalon and, on a pro forma basis, those owned by Bay as of January 1, 1998, with stabilized operating costs as of January 1, 1998 such that a comparison of 1998 operating results to 1999 operating results is meaningful. Each of the Established Communities falls into one of six geographic areas including Northern California, Southern California, Mid-Atlantic, Northeast, Midwest, and Pacific Northwest regions. At December 31, 1999, there were no Established Communities in the Pacific Northwest.
- Other Stabilized Communities. Represents Stabilized Communities as defined above, but which became stabilized or were acquired after January 1, 1998.

Lease-Up Communities. Represents all communities where construction has been complete for less than one year and where occupancy has not reached at least 95%.

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Redevelopment Communities. Represents all communities where substantial redevelopment has begun. Redevelopment is considered substantial when capital invested during the reconstruction effort exceeds the lesser of \$5 million or 10% of the community's acquisition cost.

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

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

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

#### Current Communities

The Current Communities are primarily garden-style apartment communities consisting of two and three-story buildings in landscaped settings. The Current Communities, as of March 1, 2000, include 102 garden-style, 14 high-rise and 5 mid-rise apartment communities. The Current Communities offer many attractive amenities including some or all of the following:



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

Other features at various communities may include:

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

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

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<TABLE>  
<CAPTION>

	Number of communities at		Number of apartment homes at		Percentage of total apartment homes at	
	1-1-99	3-1-00	1-1-99	3-1-00	1-1-99	3-1-00
<S>	<C>	<C>	<C>	<C>	<C>	<C>
NORTHERN CALIFORNIA	35	36	9,538	9,743	25.2%	27.3%
Alameda County, CA	9	8	2,523	2,278	6.7%	6.4%
Sacramento, CA	3	1	850	302	2.2%	0.8%
San Francisco, CA	5	6	1,062	1,288	2.8%	3.6%
San Mateo County, CA	3	3	703	703	1.9%	2.0%
Santa Clara County, CA	15	18	4,400	5,172	11.6%	14.5%
SOUTHERN CALIFORNIA	18	18	5,818	5,816	15.3%	16.3%
Los Angeles, CA	6	6	2,563	2,561	6.8%	7.2%
Orange County, CA	8	8	2,022	2,022	5.3%	5.7%
San Diego, CA	4	4	1,233	1,233	3.2%	3.4%
PACIFIC NORTHWEST	5	5	1,375	1,376	3.6%	3.9%
Portland, OR	1	1	279	279	0.7%	0.8%
Seattle, WA	4	4	1,096	1,097	2.9%	3.1%
NORTHEAST	27	32	9,021	9,999	23.8%	28.0%
Boston, MA	8	9	2,375	2,580	6.3%	7.2%
Fairfield County, CT	7	9	2,234	2,637	5.9%	7.4%
Hartford, CT	1	1	932	932	2.4%	2.6%
Long Island, NY	3	3	575	575	1.5%	1.6%
Northern New Jersey	5	6	2,008	2,268	5.3%	6.4%
Westchester, NY	3	4	897	1,007	2.4%	2.8%
MID-ATLANTIC	30	22	8,825	6,499	23.3%	18.3%
Baltimore, MD	4	4	1,052	1,052	2.8%	3.0%
Norfolk, VA	4	2	904	486	2.4%	1.4%
Northern Virginia	10	8	3,711	2,847	9.8%	8.0%
Richmond, VA	4	1	1,103	268	2.9%	0.7%
Southern Maryland	7	6	1,747	1,538	4.6%	4.3%
Washington, DC	1	1	308	308	0.8%	0.9%
MIDWEST	12	8	3,334	2,215	8.8%	6.2%
Chicago, IL	3	3	887	887	2.3%	2.5%
Cincinnati, OH	1	--	264	--	0.7%	--
Detroit, MI	1	--	225	--	0.6%	--
Indianapolis, IN	2	--	376	--	1.0%	--
Minneapolis, MN	4	5	1,102	1,328	2.9%	3.7%
St. Louis, MO	1	--	480	--	1.3%	--
	127	121	37,911	35,648	100.0%	100.0%

</TABLE>

We manage and operate all of the Current Communities. During the year ended December 31, 1999, we completed construction of 2,335 apartment homes in ten communities for a total cost of \$391.6 million. The average age of the Current Communities, on a weighted average basis according to number of apartment homes,

is approximately ten years.

Of the Current Communities as of March 1, 2000 we own:

- a fee simple, or absolute, ownership interest in 106 operating communities, one of which is on land subject to a 149 year land lease;
- a general partnership interest in five partnerships that in the aggregate hold a fee simple interest in five other operating communities;
- a general partnership interest in four partnerships structured as DownREITs, as described more fully below, that own an aggregate of nine communities; and
- a 100% interest in a senior participating mortgage note secured by one community, which allows us to share in part of the rental income or resale proceeds of the community.

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We also hold a fee simple ownership interest in 11 of the Development Communities and a membership interest in a limited liability company that holds a fee simple interest in one Development Community.

In each of the four partnerships structured as DownREITs, either AvalonBay or one of our wholly-owned subsidiaries is the general partner, and there are one or more limited partners whose interest in the partnership is represented by units of limited partnership interest. For each DownREIT partnership, limited partners are entitled to receive distributions before any distribution is made to the general partner. Although the partnership agreements for each of the DownREITs are different, generally the distributions paid to the holders of units of limited partnership interests approximate the current AvalonBay common stock dividend rate. Each DownREIT partnership has been structured so that it is unlikely the limited partners will be entitled to a distribution greater than the initial distribution provided for in the partnership agreement. The holders of units of limited partnership interest have the right to present each unit of limited partnership interest for redemption for cash equal to the fair market value of a share of AvalonBay common stock on the date of redemption. In lieu of a cash redemption of a unit, we may elect to acquire any unit presented for redemption for one share of common stock. As of March 1, 2000, there were 966,822 units outstanding. The DownREIT partnerships are consolidated for financial reporting purposes.

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PROFILE OF CURRENT AND DEVELOPMENT COMMUNITIES  
(DOLLARS IN THOUSANDS, EXCEPT PER APARTMENT HOME DATA)

<TABLE>  
<CAPTION>

	City and state	Number of homes	Approx. rentable area (Sq. Ft.)	Acres	Year built or acquired	Average size (Sq. Ft.)
-----						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
CURRENT COMMUNITIES (3)						
NORTHERN CALIFORNIA						
ALAMEDA COUNTY, CA						
	Hayward, CA	544	451,937	11.1	1985/86	831
	Fremont, CA	308	316,072	14.3	1992/94	1,026
	Pleasanton, CA	456	377,438	14.7	1988/94	828
	Dublin, CA	204	179,004	13.0	1989/97	877
	Fremont, CA	235	197,575	3.5	1985/94	841
	Fremont, CA	135	130,350	8.0	1992/94	966
	Hayward, CA	188	168,513	3.0	1986/94	896
	Union City, CA	208	150,140	8.5	1973/96	722
SACRAMENTO, CA						
	Sacramento, CA	302	292,138	8.1	1976/97	967
SAN FRANCISCO, CA						
	San Rafael, CA	254	221,525	21.9	1973/96	872
	San Francisco, CA	243	175,511	16.0	1961/96	722
	San Francisco, CA	185	109,238	1.4	1990/95	590
	San Francisco, CA	154	123,080	2.6	1972/94	799
	San Francisco, CA	226	243,033	1.0	1999	1,075
	Rohnert Park, CA	226	164,219	9.0	1986/94	727
SAN MATEO, CA						

Cedar Ridge	Daly City, CA	195	141,411	8.0	1975/97	725
Regatta Bay	Foster City, CA	288	222,276	11.0	1973/94	772
Sea Ridge	Pacifica, CA	220	186,785	7.7	1971/95	849
SANTA CLARA COUNTY, CA						
Toscana	Sunnyvale, CA	710	658,591	13.6	1997	928
Carriage Square	San Jose, CA	324	322,207	7.5	1995	994
Canyon Creek	Campbell, CA	348	326,796	8.0	1995	939
CountryBrook	San Jose, CA	360	323,012	14.0	1985/96	897
The Arbors	Campbell, CA	252	197,000	8.5	1966/97	782
Avalon at Creekside	Mountain View, CA	294	215,680	13.0	1962/97	734
The Fountains at River Oaks	San Jose, CA	226	210,050	4.0	1990/96	929
Parkside Commons	Sunnyvale, CA	192	199,353	8.0	1991/96	1,038
Villa Mariposa	Mountain View, CA	248	211,552	4.0	1986	853
San Marino	San Jose, CA	248	209,465	11.5	1984/88	845
The Promenade	Sunnyvale, CA	220	159,653	5.0	1987/95	726
Foxchase I & II	San Jose, CA	396	335,212	12.0	1986/87	844
Glen Creek	Morgan Hill, CA	138	112,987	6.0	1989	819
Fairway Glen	San Jose, CA	144	119,492	6.0	1986	830
Centremark	Cupertino, CA	311	293,328	8.0	1999	943
Avalon on the Alameda	San Jose, CA	305	299,722	8.9	1999	983
Rosewalk at Waterford Park I	San Jose, CA	300	297,696	10.8	1997	992
Rosewalk at Waterford Park II	San Jose, CA	156	152,556	5.8	1999	978

<CAPTION>

	Physical occupancy at 12/31/99	Average economic occupancy		Average rental rate (1)		Financial reporting cost (2)
		1999	1998	\$ per Apt	\$ per Sq. Ft.	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
CURRENT COMMUNITIES (3)						
NORTHERN CALIFORNIA						
ALAMEDA COUNTY, CA						
Waterford	96.9%	96.0%	97.3%	1,017	1.17	\$57,777
Hampton Place	97.1%	95.1%	95.4%	1,459	1.35	\$54,589
Hacienda Gardens	96.7%	95.4%	96.6%	1,181	1.36	\$58,962
Amador Oaks	97.1%	95.1%	96.8%	1,279	1.39	\$26,715
Willow Creek	96.6%	96.2%	96.4%	1,268	1.45	\$33,644
Alicante	95.6%	96.2%	94.8%	1,382	1.38	\$22,009
Barrington Hills	97.3%	97.6%	98.2%	1,095	1.19	\$18,358
Parc Centre at Union Square	97.6%	97.4%	97.6%	1,035	1.40	\$21,558
SACRAMENTO, CA						
Governor's Square	88.4%	87.5%	Redev.	922	0.83	\$20,991
SAN FRANCISCO, CA						
Crowne Ridge	94.1%	95.2%	96.7%	1,273	1.39	\$30,439
Sunset Towers	96.7%	97.8%	Redev.	1,363	1.85	\$28,090
City Heights	95.7%	96.7%	98.5%	1,400	2.29	\$27,392
Village Square	100.0%	98.5%	98.7%	1,406	1.73	\$24,052
Avalon Towers by the Bay	99.1%	67.7%	N/A	1,435	0.90	\$65,863
Crossbrook	96.9%	97.7%	98.6%	880	1.18	\$18,985
SAN MATEO, CA						
Cedar Ridge	98.5%	96.4%	Redev.	1,327	1.76	\$25,525
Regatta Bay	91.0%	92.7%	96.6%	1,313	1.58	\$40,694
Sea Ridge	99.1%	97.5%	97.7%	1,306	1.50	\$30,981
SANTA CLARA COUNTY, CA						
Toscana	98.0%	94.9%	Lease-Up	1,827	1.87	\$120,138
Carriage Square	97.5%	94.9%	96.4%	1,489	1.42	\$60,652
Canyon Creek	98.3%	96.4%	97.0%	1,418	1.46	\$59,829
CountryBrook	97.2%	96.2%	95.9%	1,245	1.34	\$47,521
The Arbors	95.6%	91.3%	Redev.	1,179	1.38	\$31,562
Avalon at Creekside	91.5%	Redev.	Redev.	1,132	1.41	\$37,778
The Fountains at River Oaks	98.7%	97.1%	96.7%	1,549	1.62	\$45,570
Parkside Commons	97.4%	96.7%	96.3%	1,638	1.52	\$37,371
Villa Mariposa	94.8%	95.5%	96.9%	1,583	1.77	\$49,381
San Marino	98.8%	96.6%	97.3%	1,228	1.40	\$33,486
The Promenade	97.3%	97.7%	95.8%	1,286	1.73	\$34,341
Foxchase I & II	98.0%	96.8%	94.8%	1,167	1.33	\$57,656
Glen Creek	87.7%	92.7%	95.0%	1,227	1.39	\$18,337
Fairway Glen	97.9%	96.8%	94.1%	1,133	1.32	\$17,047
Centremark	98.7%	88.7%	N/A	1,743	1.64	\$48,847
Avalon on the Alameda	96.4%	57.8%	N/A	1,757	1.03	\$55,809
Rosewalk at Waterford Park I	95.7%	95.6%	96.7%	1,529	1.47	\$56,240
Rosewalk at Waterford Park II	98.7%	76.8%	N/A	1,446	1.13	\$21,621

</TABLE>

PROFILE OF CURRENT AND DEVELOPMENT COMMUNITIES  
(DOLLARS IN THOUSANDS, EXCEPT PER APARTMENT HOME DATA)

<TABLE>  
<CAPTION>

Average size Ft.,)	City and state	Number of homes	Approx. rentable area (Sq. Ft.)	Acres	Year built or acquired	(Sq.
-----						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
SOUTHERN CALIFORNIA						
LOS ANGELES, CA						
894	ViewPointe Woodland Hills, CA	663	592,683	18.2	1989/97	
709	Lakeside Burbank, CA	748	530,114	14.7	1969/97	
632	Avalon Westside Terrace Los Angeles, CA	363	229,296	4.8	1966/97	
790	Arbor Heights Hacienda Heights, CA	351	277,220	20.0	1970/97	
844	Warner Oaks Woodland Hills, CA	227	191,629	6.8	1979/98	
910	TimberWood West Covina, CA	209	190,200	8.4	1972/97	
ORANGE COUNTY, CA						
883	SunScape Huntington Beach, CA	400	353,192	16.4	1972/97	
882	Avalon at Pacific Bay Huntington Beach, CA	304	268,000	9.7	1971/97	
810	Mill Creek Costa Mesa, CA	258	208,890	8.9	1973/96	
763	Villa Serena Rancho Santa Margarita, CA	301	229,593	20.0	1990/97	
756	Amberway Anaheim, CA	272	205,572	9.9	1983/98	
993	Laguna Brisas Laguna Niguel, CA	176	174,848	10.0	1988/98	
832	Lafayette Place Costa Mesa, CA	145	120,690	6.6	1956/96	
751	Larkspur Canyon Mission Viejo, CA	166	124,600	7.8	1984/96	
SAN DIEGO, CA						
713	Avalon at Mission Bay San Diego, CA	564	402,327	5.7	1969/97	
767	Gateway Tower San Diego, CA	293	224,840	1.2	1973/98	
1,041	Mission Woods San Diego, CA	200	208,100	4.0	1960/97	
802	SummerWalk San Diego, CA	176	141,120	8.8	1982/97	
PACIFIC NORTHWEST						
PORTLAND, OR						
937	Waterhouse Place Beaverton, OR	279	261,464	12.0	1990/97	
SEATTLE, WA						
1,092	The Verandas at Bear Creek Redmond, WA	264	288,250	22.0	1998	
928	Gallery Place Redmond, WA	222	206,004	22.0	1991/97	
908	Avalon Ridge Renton, WA	421	382,382	20.0	1987/88	
788	Avalon Westhaven Seattle, WA	190	149,700	9.0	1989/97	
NORTHEAST						
BOSTON, MA						
958	Avalon at Prudential Center Boston, MA	781	747,954	1.0	1998	
946	Longwood Towers Brookline, MA	334	315,802	4.2	1993	
1,030	Avalon at Center Place Providence, RI	225	231,671	1.2	1997	

832	Avalon Summit	Quincy, MA	245	203,848	9.1	1996
1,168	Avalon at Lexington	Lexington, MA	198	231,182	18.0	1994
1,026	Avalon at Faxon Park	Quincy, MA	171	175,494	8.3	1998
1,229	Avalon West	Westborough, MA	120	147,472	10.1	1996
1,023	Avalon Oaks	Wilmington, MA	204	229,748	22.5	1999

<CAPTION>

	Physical occupancy at 12/31/99	Average economic occupancy		Average rental rate (1)		Financial reporting cost (2)
		1999	1998	\$ per Apt	\$ per Sq. Ft.	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
SOUTHERN CALIFORNIA						
LOS ANGELES, CA						
ViewPointe	96.4%	94.4%	Redev.	1,070	1.13	\$70,829
Lakeside	95.2%	95.8%	Redev.	829	1.12	\$55,746
Avalon Westside Terrace	94.2%	85.8%	Redev.	1,131	1.54	\$36,807
Arbor Heights	94.3%	80.0%	Redev.	793	0.80	\$29,458
Warner Oaks	96.9%	82.4%	Redev.	1,070	1.05	\$26,068
TimberWood	96.7%	96.2%	Redev.	963	1.02	\$14,736
ORANGE COUNTY, CA						
SunScape	96.5%	95.0%	Redev.	1,056	1.14	\$36,985
Avalon at Pacific Bay	98.7%	82.3%	Redev.	929	0.87	\$31,692
Mill Creek	96.9%	93.8%	95.3%	1,009	1.17	\$24,134
Villa Serena	98.0%	97.2%	Redev.	937	1.20	\$23,541
Amberway	96.7%	89.1%	Redev.	807	0.95	\$20,989
Laguna Brisas	99.4%	Redev.	91.5%	954	0.92	\$18,620
Lafayette Place	94.5%	94.3%	Redev.	1,180	1.34	\$10,089
Larkspur Canyon	97.6%	94.7%	95.0%	944	1.19	\$12,854
SAN DIEGO, CA						
Avalon at Mission Bay	84.0%	Redev.	Redev.	966	1.15	\$60,556
Gateway Tower	98.0%	97.3%	94.7%	935	1.19	\$24,326
Mission Woods	97.0%	98.2%	Redev.	1,097	1.03	\$21,544
SummerWalk	96.6%	97.2%	96.4%	895	1.09	\$14,097
PACIFIC NORTHWEST						
PORTLAND, OR						
Waterhouse Place	95.0%	88.2%	Redev.	704	0.66	\$20,671
SEATTLE, WA						
The Verandas at Bear Creek	94.7%	88.5%	86.0%	1,173	0.95	\$34,382
Gallery Place	92.8%	91.4%	Redev.	1,058	1.04	\$25,934
Avalon Ridge	93.8%	Redev.	Redev.	662	0.63	\$28,592
Avalon Westhaven	94.7%	86.7%	Redev.	750	0.83	\$12,519
NORTHEAST						
BOSTON, MA						
Avalon at Prudential Center	98.7%	98.4%	98.1%	2,047	2.10	\$131,937
Longwood Towers	98.8%	98.3%	95.3%	1,704	1.77	\$41,805
Avalon at Center Place	94.8%	96.1%	94.5%	1,912	1.78	\$26,995
Avalon Summit	97.6%	96.3%	96.4%	1,092	1.26	\$16,468
Avalon at Lexington	99.0%	96.5%	94.5%	1,681	1.39	\$14,912
Avalon at Faxon Park	97.1%	96.5%	74.0%	1,519	1.43	\$15,231
Avalon West	99.2%	96.7%	97.5%	1,444	1.14	\$10,824
Avalon Oaks	96.6%	64.5%	N/A	1,423	0.81	\$20,574

</TABLE>

<TABLE>

<CAPTION>

Year				Approx.
built				rentable
or		Number of	area	
acquired	City and state	homes	(Sq. Ft.)	Acres

<S>	<C>	<C>	<C>	<C>	<C>
----- <S> FAIRFIELD COUNTY, CT					
Avalon Walk I & II 1992/94	Hamden, CT	764	761,441	38.4	
Avalon Glen 1991	Stamford, CT	238	221,828	4.1	
Avalon Gates 1997	Trumbull, CT	340	381,322	37.0	
Hanover Hall 1961/98	Stamford, CT	388	328,002	4.6	
Avalon Springs 1996	Wilton, CT	102	158,259	12.0	
Avalon Valley 1999	Danbury, CT	268	297,479	17.1	
Avalon Lake 1999	Danbury, CT	135	166,231	32.0	
HARTFORD, CT					
Avalon Pavilions 1990/92	Manchester, CT	932	849,680	46.3	
LONG ISLAND, NY					
Avalon Commons 1997	Smithtown, NY	312	363,049	20.6	
Avalon Towers 1995	Long Beach, NY	109	124,836	1.3	
Avalon Court 1997	Melville, NY	154	193,464	10.8	
NORTHERN NEW JERSEY					
Avalon Cove 1997	Jersey City, NJ	504	574,675	11.1	
The Tower at Avalon Cove 1999	Jersey City, NJ	269	241,825	2.8	
Avalon Watch 1988	West Windsor, NJ	512	485,871	64.0	
Avalon Crest 1999	Fort Lee, NJ	351	371,411	13.1	
Avalon Run East 1996	Lawrenceville, NJ	206	265,198	27.0	
WESTCHESTER, NY					
Avalon Gardens 1998	Nanuet, NY	504	638,439	55.0	
Avalon View 1993	Wappingers Falls, NY	288	335,088	41.0	
Avalon Green 1995	Elmsford, NY	105	113,538	16.9	
The Avalon 1999	Bronxville, NY	110	119,186	1.5	
MID-ATLANTIC					
BALTIMORE, MD					
Avalon at Fairway Hills I & II 1987/96	Columbia, MD	720	724,253	42.1	
Avalon at Symphony Glen 1986	Columbia, MD	174	178,267	10.0	
Avalon Landing 1995	Annapolis, MD	158	117,033	13.8	
NORFOLK, VA					
Avalon Birches 1995	Chesapeake, VA	312	283,920	20.9	
Avalon Pines 1996	Virginia Beach, VA	174	142,800	9.7	
NORTHERN VIRGINIA					
Avalon at Ballston - Vermont & Quincy Towers 1997	Arlington, VA	454	420,242	2.3	
Avalon Crescent 1996	McLean, VA	558	613,426	19.1	
Avalon at Ballston - Washington Towers 1990	Arlington, VA	344	294,786	4.1	
Avalon at Cameron Court 1998	Alexandria, VA	460	467,292	16.0	
AuturimWoods 1996	Fairfax, VA	420	355,228	24.2	
Avalon at Fair Lakes 1998	Fairfax, VA	234	285,822	10.0	
Avalon at Dulles 1986	Sterling, VA	236	232,632	15.7	
Avalon at Providence Park 1997	Fairfax, VA	141	148,211	4.0	

<CAPTION>

Financial reporting (2)	Average size (Sq. Ft.)	Physical occupancy at 12/31/99	Average economic occupancy		Average rental rate (1)		cost
			1999	1998	\$ per Apt	\$ per Sq. Ft.	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
FAIRFIELD COUNTY, CT							
Avalon Walk I & II \$58,634	996	98.6%	97.3%	97.2%	1,090	1.06	
Avalon Glen \$30,723	932	93.3%	96.0%	97.7%	1,755	1.81	
Avalon Gates \$35,765	1,122	95.3%	96.8%	98.4%	1,365	1.18	
Hanover Hall \$38,895	845	95.9%	96.9%	90.9%	1,112	1.27	
Avalon Springs \$16,629	1,552	99.0%	99.2%	99.3%	2,302	1.47	
Avalon Valley \$25,195	1,070	99.6%	58.2%	N/A	1,366	0.72	
Avalon Lake \$16,680	1,184	99.3%	60.3%	N/A	1,453	0.71	
HARTFORD, CT							
Avalon Pavilions \$57,508	912	98.1%	97.0%	96.4%	908	0.97	
LONG ISLAND, NY							
Avalon Commons \$33,255	1,164	97.8%	98.1%	98.8%	1,541	1.30	
Avalon Towers \$16,434	1,145	98.2%	98.5%	96.7%	2,435	2.09	
Avalon Court \$18,954	1,256	98.7%	98.2%	98.8%	1,772	1.39	
NORTHERN NEW JERSEY							
Avalon Cove \$91,156	1,140	98.2%	95.3%	96.9%	2,470	2.06	
The Tower at Avalon Cove \$47,144	905	98.1%	58.4%	N/A	2,262	1.47	
Avalon Watch \$28,738	949	99.0%	97.7%	97.5%	1,147	1.18	
Avalon Crest \$54,893	1,058	95.7%	41.9%	N/A	2,025	0.80	
Avalon Run East \$16,247	1,287	96.6%	98.0%	97.3%	1,396	1.06	
WESTCHESTER, NY							
Avalon Gardens \$54,138	1,267	99.6%	98.5%	81.1%	1,595	1.24	
Avalon View \$17,931	1,164	100.0%	98.7%	97.9%	1,064	0.90	
Avalon Green \$12,532	1,081	100.0%	99.3%	97.5%	2,001	1.84	
The Avalon \$28,128	1,085	98.2%	63.3%	N/A	1,550	0.90	
MID-ATLANTIC							
BALTIMORE, MD							
Avalon at Fairway Hills I & II \$43,783	1,005	97.6%	97.5%	95.1%	914	0.89	
Avalon at Symphony Glen \$8,506	1,025	94.8%	97.3%	96.9%	903	0.86	
Avalon Landing \$9,425	741	98.1%	97.5%	97.8%	840	1.11	
NORFOLK, VA							
Avalon Birches \$13,801	910	93.3%	93.9%	95.9%	754	0.78	
Avalon Pines \$8,793	821	97.1%	96.4%	93.2%	699	0.82	
NORTHERN VIRGINIA							
Avalon at Ballston - Vermont & Quincy Towers \$46,873	926	99.6%	97.5%	97.2%	1,178	1.24	
Avalon Crescent \$57,252	1,099	98.0%	97.3%	97.3%	1,434	1.27	
Avalon at Ballston - Washington Towers	857	98.3%	97.7%	96.9%	1,214	1.38	

\$37,008	Avalon at Cameron Court	1,016	97.6%	97.4%	55.0%	1,335	1.28
\$43,223	AurumWoods	846	98.6%	98.0%	97.0%	957	1.11
\$30,790	Avalon at Fair Lakes	1,221	98.3%	97.0%	72.9%	1,277	1.01
\$23,461	Avalon at Dulles	986	99.2%	98.2%	97.7%	928	0.92
\$11,744	Avalon at Providence Park	1,051	100.0%	98.1%	97.2%	1,039	0.97
\$11,151							

PROFILE OF CURRENT AND DEVELOPMENT COMMUNITIES  
(DOLLARS IN THOUSANDS, EXCEPT PER APARTMENT HOME DATA)

<TABLE>  
<CAPTION>

Average size (Sq. Ft.)	City and state	Number of homes	Approx. rentable area (Sq. Ft.)	Acres	Year built or acquired	(Sq. Ft.)
-----						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
RICHMOND, VA						
Avalon Woods	Richmond, VA	268	158,618	18.5	1994	
592						
SOUTHERN MARYLAND						
Avalon at Decoverly	Rockville, MD	368	368,446	25.0	1995	
1,001						
Avalon Knoll	Germantown, MD	300	290,365	26.7	1985	
968						
Avalon Fields I & II	Gaithersburg, MD	288	292,282	9.2	1998	
1,050						
Avalon Crossing	Rockville, MD	132	147,690	5.0	1996	
1,119						
WASHINGTON, D.C.						
4100 Massachusetts Avenue	Washington, D.C.	308	298,725	2.7	1982	
970						
MIDWEST						
CHICAGO, IL						
Avalon at Danada Farms	Wheaton, IL	295	350,606	19.2	1997	
1,188						
Avalon at West Grove	Westmont, IL	400	388,500	17.4	1967	
971						
Avalon at Stratford Green	Bloomington, IL	192	237,204	12.7	1997	
1,235						
MINNEAPOLIS, MN						
Avalon at Devonshire	Bloomington, MI	498	470,762	42.0	1988	
945						
Avalon at Edinburgh	Brooklyn Park, MN	198	222,130	11.3	1992	
1,122						
Avalon at Town Centre	Eagan, MN	248	235,518	18.7	1986	
950						
Avalon at Town Square	Plymouth, MN	160	144,026	8.3	1986	
900						
Avalon at Woodbury	Woodbury, MN	224	287,975	15.0	1999	
1,286						
DEVELOPMENT COMMUNITIES						
Avalon Corners	Stamford, CT	195	192,174	3.2	N/A	
986						
Avalon Court North	Melville, NY	340	403,640	24.6	N/A	
1,187						
Avalon Willow	Mamaroneck, NY	227	199,945	4.0	N/A	
881						
Avalon at Fox Mill	Herndon, VA	165	219,360	12.8	N/A	
1,329						
Avalon Essex	Peabody, MA	154	173,520	11.1	N/A	
1,127						
Avalon Haven	North Haven, CT	128	140,544	10.6	N/A	
1,098						
Avalon at Florham Park	Florham Park, NJ	270	331,560	41.9	N/A	



1,228	Avalon River Mews	Edgewater, NJ	408	405,144	7.1	N/A
993	Avalon Bellevue	Bellevue, WA	202	164,226	1.7	N/A
813	Avalon at Arlington Square I	Arlington, VA	510	583,950	14.2	N/A
1,145	Avalon on the Sound	New Rochelle, NY	412	372,860	2.4	N/A
905	Avalon Estates	Hull, MA	162	182,736	55.6	N/A
1,128						

<CAPTION>

	Physical occupancy at 12/31/99	Average economic occupancy		Average rental rate (1)		Financial reporting cost (2)
		1999	1998	\$ per Apt	\$ per Sq. Ft.	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
RICHMOND, VA						
Avalon Woods	95.9%	93.7%	95.3%	591	0.94	\$8,661
SOUTHERN MARYLAND						
Avalon at Discoverly	96.2%	96.2%	96.8%	1,115	1.07	\$31,258
Avalon Knoll	97.0%	96.5%	97.1%	871	0.87	\$8,173
Avalon Fields I & II	96.5%	97.2%	89.4%	1,108	1.06	\$22,664
Avalon Crossing	96.2%	97.2%	98.1%	1,472	1.28	\$13,890
WASHINGTON, D.C.						
4100 Massachusetts Avenue	95.5%	96.9%	97.9%	1,511	1.51	\$35,143
MIDWEST						
CHICAGO, IL						
Avalon at Danada Farms	96.6%	93.8%	92.6%	1,373	1.08	\$38,068
Avalon at West Grove	87.5%	91.1%	95.3%	844	0.79	\$29,159
Avalon at Stratford Green	99.0%	97.4%	96.3%	1,277	1.01	\$21,908
MINNEAPOLIS, MN						
Avalon at Devonshire	97.2%	97.2%	97.1%	915	0.94	\$36,912
Avalon at Edinburgh	99.0%	96.2%	95.3%	1,023	0.88	\$18,435
Avalon at Town Centre	95.6%	97.8%	98.5%	907	0.93	\$17,936
Avalon at Town Square	98.8%	98.5%	97.5%	906	0.99	\$10,753
Avalon at Woodbury	84.4%	84.6%	N/A	1,210	0.80	\$25,508
DEVELOPMENT COMMUNITIES						
Avalon Corners	N/A	N/A	N/A	N/A	N/A	\$30,177
Avalon Court North	N/A	N/A	N/A	N/A	N/A	\$38,511
Avalon Willow	N/A	N/A	N/A	N/A	N/A	\$39,102
Avalon at Fox Mill	N/A	N/A	N/A	N/A	N/A	\$18,883
Avalon Essex	N/A	N/A	N/A	N/A	N/A	\$14,727
Avalon Haven	N/A	N/A	N/A	N/A	N/A	\$3,033
Avalon at Florham Park	N/A	N/A	N/A	N/A	N/A	\$16,880
Avalon River Mews	N/A	N/A	N/A	N/A	N/A	\$20,747
Avalon Bellevue	N/A	N/A	N/A	N/A	N/A	\$9,543
Avalon at Arlington Square I	N/A	N/A	N/A	N/A	N/A	\$25,859
Avalon on the Sound	N/A	N/A	N/A	N/A	N/A	\$4,022
Avalon Estates	N/A	N/A	N/A	N/A	N/A	\$2,623

</TABLE>

14

FEATURES AND RECREATIONAL AMENITIES - CURRENT AND DEVELOPMENT COMMUNITIES

<TABLE>

<CAPTION>

	1 BR	2BR	3BR	
---				
3BA	1/1.5 BA	1/1.5 BA	2/2.5/3 BA	2/2.5 BA
---				
<S>	<C>	<C>	<C>	<C>
CURRENT COMMUNITIES (3)				
NORTHERN CALIFORNIA				
Alameda County, CA				
Waterford	208	-	336	-
-				
Hampton Place	88	-	176	-
44				
Hacienda Gardens	238	-	218	-

-	Amador Oaks	72	8	60	48
-	Willow Creek	99	-	136	-
-	Alicante	42	81	-	-
12	Barrington Hills	48	-	140	-
-	Parc Centre at Union Square	124	84	-	-
-	Central Valley, CA Governor's Square	93	63	68	30
-	San Francisco, CA Crown Ridge	158	68	24	-
-	Sunset Towers	183	20	20	-
-	City Heights	114	-	25	-
-	Village Square	90	-	49	15
-	Avalon Towers by the Bay	103	-	120	-
3	Crossbrook	88	30	108	-
-	San Mateo, CA Cedar Ridge	117	33	24	-
-	Regatta Bay	124	123	1	-
-	Sea Ridge	58	106	56	-
-	Santa Clara County, CA Toscana	338	-	336	18
15	Carriage Square	90	-	210	-
24	Canyon Creek	156	-	180	-
12	CountryBrook	108	-	252	-
-	The Arbors	212	40	-	-
-	Avalon at Creekside	158	128	-	-
-	The Fountains at River Oaks	100	-	126	-
-	Parkside Commons	60	-	96	36
-	Villa Mariposa	108	-	88	52
-	San Marino	103	-	145	-
-	The Promenade	112	10	54	-
-	Foxchase I and II	168	-	228	-
-	Glen Creek	58	-	79	-
1	Fairway Glen	60	-	84	-
-	CentreMark	145	-	152	-
14	Avalon on the Alameda	113	-	164	-
28	Rosewalk at Waterford Park I	96	-	192	-
12	Rosewalk at Waterford Park II	72	-	72	-
12					

<CAPTION>

	Studios /				Washer & dryer
Vaulted	efficiencies	Other	Total	Parking spaces	hook-ups or units
ceilings					
-----					
<S>	<C>	<C>	<C>	<C>	<C>

CURRENT COMMUNITIES (3)

NORTHERN CALIFORNIA

Alameda County, CA

Waterford	-	-	544	876	Some	Some
Hampton Place	-	-	308	570	All	Most
Hacienda Gardens	-	-	456	856	All	Some
Amador Oaks	-	16	204	427	Most	Some
Willow Creek	-	-	235	240	All	None
Alicante	-	-	135	260	All	Some
Barrington Hills	-	-	188	320	All	Half
Parc Centre at Union Square	-	-	208	210	None	None

Central Valley, CA

Governor's Square	48	-	302	332	Some	Half
-------------------	----	---	-----	-----	------	------

San Francisco, CA

Crown Ridge	4	-	254	377	Some	Some
Sunset Towers	20	-	243	244	None	None
City Heights	46	-	185	104	None	None
Village Square	-	-	154	155	None	Some
Avalon Towers by the Bay	-	-	226	235	All	Some
Crossbrook	-	-	226	343	None	Half

San Mateo, CA

Cedar Ridge	21	-	195	258	None	None
Regatta Bay	40	-	288	490	None	None
Sea Ridge	-	-	220	299	None	None

Santa Clara County, CA

Toscana	3	-	710	1,400	All	Some
Carriage Square	-	-	324	562	All	Some
Canyon Creek	-	-	348	588	All	Some
CountryBrook	-	-	360	694	All	Some
The Arbors	-	-	252	395	All	None
Avalon at Creekside	8	-	294	376	None	None
The Fountains at River Oaks	-	-	226	354	All	None
Parkside Commons	-	-	192	192	All	Some
Villa Mariposa	-	-	248	421	All	Some
San Marino	-	-	248	436	All	Some
The Promenade	44	-	220	394	Some	None
Foxchase I and II	-	-	396	719	All	Some
Glen Creek	-	-	138	228	All	Half
Fairway Glen	-	-	144	226	All	Some
CentreMark	-	-	311	526	All	Some
Avalon on the Alameda	-	-	305	558	All	Some
Rosewalk at Waterford Park I	-	-	300	420	All	Some
Rosewalk at Waterford Park II	-	-	156	228	All	Some

<CAPTION>

	Lofts	Fireplaces	Large storage or walk-in closet	Balcony patio deck or sunroom	Built-in bookcases
-----					
<S>	<C>	<C>	<C>	<C>	<C>

CURRENT COMMUNITIES (3)

NORTHERN CALIFORNIA

Alameda County, CA

Waterford	None	None	All	All	None
Hampton Place	None	Half	Most	All	None
Hacienda Gardens	None	Most	None	All	None
Amador Oaks	None	Most	All	All	None
Willow Creek	None	None	All	All	None
Alicante	None	Some	All	All	None
Barrington Hills	None	None	All	All	Some
Parc Centre at Union Square	None	Most	All	All	None

Central Valley, CA

Governor's Square	None	Most	Some	All	Some
-------------------	------	------	------	-----	------

San Francisco, CA

Crown Ridge	None	Some	None	All	None
-------------	------	------	------	-----	------

Sunset Towers	None	None	None	Some
None				
City Heights	None	None	None	Some
Most				
Village Square	None	None	All	All
None				
Avalon Towers by the Bay	None	Some	Half	Most
None				
Crossbrook	None	Some	None	All
None				
San Mateo, CA				
Cedar Ridge	Some	None	Some	All
None				
Regatta Bay	None	None	Most	Most
None				
Sea Ridge	None	Some	Some	All
None				
Santa Clara County, CA				
Toscana	Some	Some	Most	All
Some				
Carriage Square	None	None	Most	All
None				
Canyon Creek	None	None	All	All
None				
CountryBrook	None	All	None	All
None				
The Arbors	None	None	None	Half
None				
Avalon at Creekside	None	Some	None	Most
None				
The Fountains at River Oaks	None	Most	All	All
None				
Parkside Commons	None	Half	All	All
Some				
Villa Mariposa	None	None	Some	All
None				
San Marino	None	None	Most	All
None				
The Promenade	None	None	All	All
None				
Foxchase I and II	None	None	Some	All
None				
Glen Creek	None	None	All	All
None				
Fairway Glen	None	None	None	All
None				
CentreMark	None	Some	Some	All
Some				
Avalon on the Alameda	None	Some	All	All
None				
Rosewalk at Waterford Park I	None	Some	Some	All
Most				
Rosewalk at Waterford Park II	None	Some	Most	All
Most				

<CAPTION>

	Carports	Non-direct access garages	Direct access garages	Homes w/ pre-wired security systems
<S>	<C>	<C>	<C>	<C>
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CURRENT COMMUNITIES (3)				
NORTHERN CALIFORNIA				
Alameda County, CA				
Waterford	Yes	No	No	None
Hampton Place	Yes	Yes	No	All
Hacienda Gardens	Yes	Yes	Yes	None
Amador Oaks	No	Yes	No	None
Willow Creek	Yes	No	No	None
Alicante	Yes	No	No	All
Barrington Hills	Yes	No	No	None
Parc Centre at Union Square	Yes	No	No	None
Central Valley, CA				
Governor's Square	No	Yes	Yes	None
San Francisco, CA				
Crown Ridge	Yes	No	Yes	None
Sunset Towers	Yes	No	Yes	None
City Heights	Yes	Yes	No	None
Village Square	No	Yes	No	None
Avalon Towers by the Bay	No	No	Yes	All

Crossbrook	Yes	No	Yes	None
San Mateo, CA				
Cedar Ridge	Yes	No	Yes	None
Regatta Bay	Yes	No	No	None
Sea Ridge	Yes	Yes	No	None
Santa Clara County, CA				
Toscana	No	Yes	No	All
Carriage Square	Yes	Yes	No	All
Canyon Creek	Yes	Yes	No	All
CountryBrook	Yes	Yes	No	None
The Arbors	Yes	Yes	No	None
Avalon at Creekside	Yes	No	No	None
The Fountains at River Oaks	No	No	Yes	None
Parkside Commons	Yes	Yes	No	None
Villa Mariposa	Yes	No	No	None
San Marino	Yes	No	No	None
The Promenade	No	No	Yes	None
Foxchase I and II	Yes	No	No	None
Glen Creek	Yes	No	No	None
Fairway Glen	Yes	No	No	Some
CentreMark	No	Yes	Yes	None
Avalon on the Alameda	No	Yes	No	All
Rosewalk at Waterford Park I	Yes	Yes	No	All
Rosewalk at Waterford Park II	Yes	Yes	No	All

FEATURES AND RECREATIONAL AMENITIES - CURRENT AND DEVELOPMENT COMMUNITIES

<TABLE>  
<CAPTION>

	1 BR		2BR		3BR
	1/1.5 BA	1/1.5 BA	2/2.5/3 BA	2/2.5 BA	3BA
SOUTHERN CALIFORNIA	<C>	<C>	<C>	<C>	
Los Angeles, CA					
ViewPointe	222	-	441	-	
Lakeside	296	138	81	12	
Avalon Westside Terrace	126	-	102	-	
Arbor Heights	213	-	134	2	
Warner Oaks	89	54	64	20	
TimberWood	32	50	63	64	
Orange County, CA					
SunScape	-	36	324	40	
Avalon at Pacific Bay	144	56	104	-	
Mill Creek	124	-	86	-	
Villa Serena	160	75	66	-	
Amberway	114	48	48	-	
Laguna Brisas	-	-	176	-	
Lafayette Place	44	54	-	35	
Larkspur Canyon	32	28	44	-	
San Diego, CA					
Avalon at Mission Bay	270	9	165	-	
Gateway Tower	113	-	83	-	
Mission Woods	18	1	98	83	
SummerWalk	48	48	80	-	

PACIFIC NORTHWEST

Portland, OR

Waterhouse Place 99 38 138 4

Seattle, WA

The Verandas at Bear Creek 55 40 110 59

Gallery Place 76 44 67 35

Avalon Ridge 16 19 217 169

Avalon Westhaven 94 82 6 8

NORTHEAST

Boston, MA

Avalon at Prudential Center 361 - 237 -

23 Longwood Towers 145 52 23 25

Avalon at Center Place 103 - 111 5

Avalon Summit 154 61 28 2

Avalon at Lexington 28 24 90 56

Avalon at Faxon Park 68 - 75 28

Avalon West 40 - 55 25

Avalon Oaks 60 24 96 24

<CAPTION>

	Studios/ efficiencies	Other	Total	Parking spaces	Washer & dryer hook-ups or units	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
SOUTHERN CALIFORNIA						
Los Angeles, CA						
ViewPointe	-	-	663	1,300	Some	None
Lakeside	221	-	748	909	Some	None
Avalon Westside Terrace	135	-	363	484	None	None
Arbor Heights	2	-	351	940	All	None
Warner Oaks	-	-	227	252	All	Some
TimberWood	-	-	209	400	Most	Half
Orange County, CA						
SunScape	-	-	400	790	None	None
Avalon at Pacific Bay	-	-	304	478	All	None
Mill Creek	48	-	258	300	Some	Half
Villa Serena	-	-	301	523	All	None
Amberway	62	-	272	454	None	Some
Laguna Brisas	-	-	176	335	None	Some
Lafayette Place	12	-	145	235	Most	Some
Larkspur Canyon	-	62	166	166	None	None
San Diego, CA						
Avalon at Mission Bay	120	-	564	695	None	None
Gateway Tower	97	-	293	292	None	None
Mission Woods	-	-	200	384	Most	None
SummerWalk	-	-	176	176	All	None
PACIFIC NORTHWEST						
Portland, OR						
Waterhouse Place	-	-	279	445	All	None
Seattle, WA						
The Verandas at Bear Creek	-	-	264	470	All	All
Gallery Place	-	-	222	384	All	Some
Avalon Ridge	-	-	421	731	All	Some
Avalon Westhaven	-	-	190	198	Most	None
NORTHEAST						
Boston, MA						
Avalon at Prudential Center	148	12	781	142	None	None
Longwood Towers	81	8	334	210	Some	None
Avalon at Center Place	6	-	225	345	All	None
Avalon Summit	-	-	245	328	None	None

Avalon at Lexington	-	-	198	323	All	Some
Avalon at Faxon Park	-	-	171	287	All	Some
Avalon West	-	-	120	145	All	Some
Avalon Oaks	-	-	204	355	All	Some

<CAPTION>

	Lofts	Fireplaces	Large storage or walk-in closet	Balcony patio deck or sunroom	Built-in
bookcases					
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<S>	<C>	<C>	<C>	<C>	<C>
SOUTHERN CALIFORNIA					
Los Angeles, CA					
ViewPointe	Some	None	Most	All	None
Lakeside	None	Some	Some	Some	None
Avalon Westside Terrace	None	None	None	All	Some
Arbor Heights	None	None	None	Half	None
Warner Oaks	None	Some	Some	All	None
TimberWood	None	None	All	All	None
Orange County, CA					
SunScape	None	None	Most	Most	None
Avalon at Pacific Bay	None	None	Half	All	None
Mill Creek	None	None	Half	All	None
Villa Serena	None	None	None	All	None
Amberway	None	None	None	All	None
Laguna Brisas	None	All	None	Most	None
Lafayette Place	None	Some	Most	Most	Some
Larkspur Canyon	None	None	None	All	None
San Diego, CA					
Avalon at Mission Bay	None	None	Some	All	None
Gateway Tower	None	None	None	All	None
Mission Woods	None	Most	Most	Most	None
SummerWalk	None	All	Some	All	All
PACIFIC NORTHWEST					
Portland, OR					
Waterhouse Place	None	Most	Some	All	None
Seattle, WA					
The Verandas at Bear Creek	None	Most	All	All	Some
Gallery Place	None	Most	All	All	None
Avalon Ridge	None	Most	All	All	Some
Avalon Westhaven	None	All	None	All	None
NORTHEAST					
Boston, MA					
Avalon at Prudential Center	None	None	Most	Some	None
Longwood Towers	None	Some	Most	Some	Some
Avalon at Center Place	None	None	Half	Some	None
Avalon Summit	None	None	None	All	None
Avalon at Lexington	Some	Some	Most	All	None
Avalon at Faxon Park	Some	Some	All	All	None
Avalon West	Some	Some	All	Half	None
Avalon Oaks	Some	Some	All	All	None

<CAPTION>

	Carpports	Non-direct access garages	Direct access garages	Homes w/ pre-wired security systems
-----				
<S>	<C>	<C>	<C>	<C>
SOUTHERN CALIFORNIA				
Los Angeles, CA				
ViewPointe	No	No	No	None
Lakeside	Yes	Yes	No	None
Avalon Westside Terrace	No	No	No	None
Arbor Heights	Yes	Yes	No	None
Warner Oaks	Yes	No	No	None
TimberWood	Yes	No	No	None
Orange County, CA				
SunScape	Yes	Yes	No	None
Avalon at Pacific Bay	Yes	Yes	No	None
Mill Creek	Yes	Yes	Yes	None
Villa Serena	Yes	Yes	No	None
Amberway	Yes	Yes	No	None
Laguna Brisas	Yes	No	No	None
Lafayette Place	Yes	Yes	No	None
Larkspur Canyon	Yes	Yes	No	None

San Diego, CA				
Avalon at Mission Bay	No	Yes	No	None
Gateway Tower	No	No	Yes	None
Mission Woods	No	Yes	No	None
SummerWalk	Yes	No	No	None
PACIFIC NORTHWEST				
Portland, OR				
Waterhouse Place	Yes	Yes	No	None
Seattle, WA				
The Verandas at Bear Creek	Yes	Yes	Yes	All
Gallery Place	Yes	Yes	No	None
Avalon Ridge	Yes	No	No	None
Avalon Westhaven	Yes	No	No	None
NORTHEAST				
Boston, MA				
Avalon at Prudential Center	No	No	No	None
Longwood Towers	No	No	No	Some
Avalon at Center Place	No	No	No	None
Avalon Summit	No	Yes	No	None
Avalon at Lexington	Yes	Yes	No	All
Avalon at Faxon Park	No	Yes	No	All
Avalon West	No	Yes	Yes	All
Avalon Oaks	No	Yes	No	All

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FEATURES AND RECREATIONAL AMENITIES-CURRENT AND DEVELOPMENT COMMUNITIES

<TABLE> <CAPTION>	1 BR		2BR		3BR
	1/1.5 BA	1/1.5 BA	2/2.5/3 BA	2/2.5 BA	
3BA					
<S> <C>	<C>	<C>	<C>	<C>	
Fairfield County, CT					
Avalon Walk I & II	272	116	122	74	
Avalon Glen	124	-	114	-	
Avalon Gates	122	-	168	50	
Hanover Hall	68	146	-	70	
Avalon Springs	-	-	70	32	
Avalon Valley	106	-	134	28	
Avalon Lake	36	-	46	-	
Hartford, CT					
Avalon Pavilions	472	168	220	72	
Long Island, NY					
Avalon Commons	128	40	112	32	
Avalon Towers	-	-	37	1	
Avalon Court	34	-	76	44	
Northern New Jersey					
Avalon Cove	190	-	190	46	
The Tower at Avalon Cove	147	24	74	24	
Avalon Watch	252	36	142	40	
Avalon Crest	96	-	131	67	
Avalon Run East	64	-	106	36	
Westchester, NY					



Avalon Gardens	208	48	144	104
Avalon View	115	47	62	64
Avalon Green	25	24	56	-
The Avalon	55	2	43	10

MID-ATLANTIC

Baltimore, MD

Avalon at Fairway Hills I & II 36	269	237	154	24
Avalon at Symphony Glen	86	14	54	20
Avalon Landing	65	18	57	-

Norfolk, VA

Avalon Birches	120	-	192	-
Avalon Pines	90	24	60	-

Northern Virginia

Avalon at Ballston - Vermont & Quincey Towers	333	37	84	-
Avalon Crescent	186	26	346	-
Avalon at Ballston - Washington Towers	205	28	111	-
Avalon at Cameron Court	208	-	168	-
AutumnWoods	220	72	96	-
Avalon at Fair Lakes	45	12	125	26
Avalon at Dulles	104	40	76	-
Avalon at Providence Park	19	-	112	4

</TABLE>

<TABLE>

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	Studios/ efficiencies	Other	Total	Parking spaces	Washer & dryer hook-ups or units	Vaulted ceilings
-----						
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Fairfield County, CT						
Avalon Walk I & II	-	180	764	1,528	All	Some
Avalon Glen	-	-	238	400	Most	Some
Avalon Gates	-	-	340	580	All	Some
Hanover Hall	104	-	388	405	None	None
Avalon Springs	-	-	102	153	All	Half
Avalon Valley	-	-	268	626	All	Some
Avalon Lake	24	29	135	382	All	Some
Hartford, CT						
Avalon Pavilions	-	-	932	1,631	All	Some
Long Island, NY						
Avalon Commons	-	-	312	538	All	Some
Avalon Towers	1	67	109	198	All	None
Avalon Court	-	-	154	292	All	Some
Northern New Jersey						
Avalon Cove	-	76	504	460	All	Some
The Tower at Avalon Cove	-	-	269	299	All	None
Avalon Watch	-	42	512	768	All	Some
Avalon Crest	-	57	351	325	All	Some
Avalon Run East	-	-	206	345	All	Some
Westchester, NY						
Avalon Gardens	-	-	504	1,008	All	Half
Avalon View	-	-	288	576	All	Some
Avalon Green	-	-	105	179	All	Some
The Avalon	-	-	110	167	All	Some

MID-ATLANTIC

Baltimore, MD						
Avalon at Fairway Hills I & II	-	-	720	1,137	All	Some
Avalon at Symphony Glen	-	-	174	266	All	Some
Avalon Landing	-	18	158	257	All	None
Norfolk, VA						
Avalon Birches	-	-	312	562	All	Some
Avalon Pines	-	-	174	308	All	Some
Northern Virginia						
Avalon at Ballston - Vermont & Quinc	-	-	454	498	All	None
Avalon Crescent	-	-	558	662	All	Some
Avalon at Ballston - Washington Tower	-	-	344	415	All	None
Avalon at Cameron Court	-	84	460	736	All	Some
AutumnWoods	-	32	420	727	All	Some
Avalon at Fair Lakes	-	-	234	505	All	Half
Avalon at Dulles	-	-	236	493	All	Some
Avalon at Providence Park	-	6	141	287	All	None

</TABLE>

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	Lofts	Fireplaces	Large storage or walk-in closet	Balcony patio deck or sunroom	Built-in bookcases
Carports					
-----					
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Fairfield County, CT					
Avalon Walk I & II	Some	Half	All	All	Some
Yes					
Avalon Glen	Some	Some	Half	Most	None
Yes					
Avalon Gates	Some	None	All	All	None
Yes					
Hanover Hall	None	None	Some	All	None
No					
Avalon Springs	Half	Half	All	All	None
No					
Avalon Valley	Some	Some	All	All	None
Yes					
Avalon Lake	Some	Some	All	All	None
No					
Hartford, CT					
Avalon Pavilions	Some	Some	Most	All	None
Yes					
Long Island, NY					
Avalon Commons	Some	Some	All	All	None
No					
Avalon Towers	None	None	All	Most	None
No					
Avalon Court	Some	Some	All	All	None
No					
Northern New Jersey					
Avalon Cove	Some	Some	All	Most	None
No					
The Tower at Avalon Cove	None	None	Half	Some	None
No					
Avalon Watch	None	None	All	All	None
No					
Avalon Crest	Some	Some	All	All	None
No					
Avalon Run East	Some	Some	All	Most	None
Yes					
Westchester, NY					
Avalon Gardens	Half	Some	All	Most	None
Yes					
Avalon View	Some	Some	Most	All	None
Yes					
Avalon Green	Half	Some	All	All	None
Yes					
The Avalon	Some	Some	Most	Half	None
No					
MID-ATLANTIC					
Baltimore, MD					
Avalon at Fairway Hills I & II	None	Some	Some	All	Some
No					
Avalon at Symphony Glen	None	Most	All	All	Half
No					

Avalon Landing Yes	None	Most	Most	All	None
Norfolk, VA Avalon Birches No	None	All	All	All	None
Avalon Pines No	None	All	All	All	None
Northern Virginia Avalon at Ballston - Vermont & Quinc No	None	None	Most	All	None
Avalon Crescent No	Some	Half	Most	All	Some
Avalon at Ballston - Washington Towe No	None	Some	Most	All	None
Avalon at Cameron Court No	Some	Some	All	Most	None
AutumnWoods Yes	None	Some	All	All	Some
Avalon at Fair Lakes No	None	Half	All	Most	None
Avalon at Dulles No	None	Some	All	All	Some
Avalon at Providence Park No	None	Most	All	All	None

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	Non-direct access garages	Direct access garages	Homes w/ pre-wired security systems
-----			
<S>	<C>	<C>	<C>
Fairfield County, CT			
Avalon Walk I & II	No	No	Half
Avalon Glen	Yes	No	None
Avalon Gates	Yes	No	All
Hanover Hall	Yes	No	None
Avalon Springs	No	Yes	All
Avalon Valley	Yes	No	All
Avalon Lake	Yes	No	All
Hartford, CT			
Avalon Pavilions	No	No	None
Long Island, NY			
Avalon Commons	Yes	No	All
Avalon Towers	No	Yes	All
Avalon Court	No	Yes	All
Northern New Jersey			
Avalon Cove	Yes	No	Some
The Tower at Avalon Cove	Yes	No	All
Avalon Watch	Yes	No	None
Avalon Crest	Yes	Yes	All
Avalon Run East	Yes	Yes	All
Westchester, NY			
Avalon Gardens	Yes	Yes	All
Avalon View	No	No	None
Avalon Green	No	No	All
The Avalon	Yes	No	All
MID-ATLANTIC			
Baltimore, MD			
Avalon at Fairway Hills I & II	No	No	None
Avalon at Symphony Glen	No	No	None
Avalon Landing	No	No	None
Norfolk, VA			
Avalon Birches	No	No	None
Avalon Pines	No	Yes	None
Northern Virginia			
Avalon at Ballston - Vermont & Quincey Towers	No	Yes	None
Avalon Crescent	Yes	Yes	All
Avalon at Ballston - Washington Towers	No	Yes	None
Avalon at Cameron Court	Yes	Yes	All
AutumnWoods	No	No	None
Avalon at Fair Lakes	Yes	Yes	None
Avalon at Dulles	No	No	None
Avalon at Providence Park	No	No	None

</TABLE>

## FEATURES AND RECREATIONAL AMENITIES - CURRENT AND DEVELOPEMENT COMMUNITIES

<TABLE>  
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Richmond, VA						
Avalon Woods	200	-	48	-	-	-
Southern Maryland						
Avalon at Decoverly	156	-	104	64	44	
Avalon Knoll	136	55	81	28	-	
Avalon Fields I & II	74	32	84	32	-	
Avalon Crossing	-	27	105	-	-	
Washington, D.C.						
4100 Massachusetts Avenue	160	70	-	3	-	
MIDWEST						
Chicago, IL						
Avalon at Danada Farms	80	-	134	-	-	
Avalon at West Grove	200	200	-	-	-	
Avalon at Stratford Green	45	9	108	21	-	
Minneapolis, MN						
Avalon at Devonshire	194	-	304	-	-	
Avalon at Edinburg	56	-	114	26	-	
Avalon at Town Centre	104	-	111	33	-	
Avalon at Town Square	76	-	68	12	-	
Avalon at Woodbury	41	-	147	36	-	
DEVELOPMENT COMMUNITIES						
Avalon Corners	118	-	77	-	-	
Avalon Court North	138	54	118	-	30	
Avalon Willow	150	77	-	-	-	
Avalon at Fox Mill	-	-	92	73	-	
Avalon Essex	50	-	62	-	-	
Avalon Haven	44	60	-	24	-	
Avalon at Florham Park	46	-	107	117	-	
Avalon River Mews	158	-	190	60	-	
Avalon Bellevue	110	-	67	-	-	
Avalon at Arlington Square I	211	20	226	53	-	
Avalon on the Sound	143	-	184	22	20	
Avalon Estates	66	16	80	-	-	

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	Studios/ efficiencies	Other	Total	Parking spaces	Washer & dryer hook-ups or units	Vaulted ceilings
	<C>	<C>	<C>	<C>	<C>	<C>
Richmond, VA						
Avalon Woods	20	-	268	400	All	Half
Southern Maryland						
Avalon at Decoverly	-	-	368	584	All	Some
Avalon Knoll	-	-	300	482	All	Some
Avalon Fields I & II	-	66	288	443	All	Some
Avalon Crossing	-	-	132	224	All	Some
Washington, D.C.						
4100 Massachusetts Avenue	27	48	308	330	All	None
MIDWEST						
Chicago, IL						
Avalon at Danada Farms	-	81	295	714	All	None
Avalon at West Grove	-	-	400	860	None	None
Avalon at Stratford Green	-	9	192	437	All	None
Minneapolis, MN						
Avalon at Devonshire	-	-	498	498	Most	Some
Avalon at Edinburg	2	-	198	210	All	None
Avalon at Town Centre	-	-	248	250	All	Some
Avalon at Town Square	-	4	160	162	All	Some
Avalon at Woodbury	-	-	224	513	All	None

DEVELOPMENT COMMUNITIES

Avalon Corners	-	-	195	273	All	Some
Avalon Court North	-	-	340	818	All	Some
Avalon Willow	-	-	227	379	All	Some
Avalon at Fox Mill	-	-	165	343	All	Most
Avalon Essex	-	42	154	259	All	None
Avalon Haven	-	-	128	256	All	None
Avalon at Florham Park	-	-	270	611	All	Most
Avalon River Mews	-	-	408	872	All	None
Avalon Bellevue	25	-	202	304	All	None
Avalon at Arlington Square I	-	-	510	949	All	None
Avalon on the Sound	43	-	412	645	Most	None
Avalon Estates	-	-	162	347	Most	None

<CAPTION>

	Lofts	Fireplaces	Large storage or walk-in closet	Balcony patio deck or sunroom	Built-in bookcases
-----					
<S>	<C>	<C>	<C>	<C>	<C>
Richmond, VA					
Avalon Woods	None	Some	Some	None	None
Southern Maryland					
Avalon at Decoverly	Some	Most	Most	All	None
Avalon Knoll	None	Half	All	All	Some
Avalon Fields I & II	Some	Half	All	Most	None
Avalon Crossing	Some	Half	All	All	Some
Washington, D.C.					
4100 Massachusetts Avenue	None	Some	Most	All	Some
MIDWEST					
Chicago, IL					
Avalon at Danada Farms	None	Some	All	Some	Some
Avalon at West Grove	None	None	None	All	None
Avalon at Stratford Green	None	Some	Most	Some	Some
Minneapolis, MN					
Avalon at Devonshire	None	Some	Most	Most	Some
Avalon at Edinburg	None	Some	Some	All	None
Avalon at Town Centre	None	Some	Some	All	None
Avalon at Town Square	None	Some	Some	All	None
Avalon at Woodbury	None	Some	Some	Some	None
DEVELOPMENT COMMUNITIES					
Avalon Corners	Some	Some	All	All	None
Avalon Court North	Most	Some	All	All	None
Avalon Willow	Some	None	Most	All	None
Avalon at Fox Mill	None	Most	All	All	None
Avalon Essex	Some	Some	All	All	None
Avalon Haven	Some	Some	All	All	None
Avalon at Florham Park	None	Some	All	Some	None
Avalon River Mews	Some	Some	All	All	None
Avalon Bellevue	Some	Some	All	All	None
Avalon at Arlington Square I	Some	Some	All	All	None
Avalon on the Sound	Some	None	Most	All	None
Avalon Estates	Half	Some	All	All	None

<CAPTION>

	Carpports	Non-direct access garages	Direct access garages	Homes w/ pre-wired security systems
-----				
<S>	<C>	<C>	<C>	<C>
Richmond, VA				
Avalon Woods	No	No	No	None
Southern Maryland				
Avalon at Decoverly	No	No	No	None
Avalon Knoll	No	No	No	None
Avalon Fields I & II	No	Yes	No	All
Avalon Crossing	No	Yes	Yes	All
Washington, D.C.				
4100 Massachusetts Avenue	No	Yes	No	None
MIDWEST				
Chicago, IL				
Avalon at Danada Farms	No	No	Yes	None
Avalon at West Grove	Yes	No	No	None
Avalon at Stratford Green	No	Yes	Yes	None
Minneapolis, MN				
Avalon at Devonshire	No	No	Yes	None
Avalon at Edinburg	No	No	No	None



Canyon Creek Yes	Some	Yes	Yes	Yes
CountryBrook No	None	Yes	No	No
The Arbors No	None	No	No	No
Avalon at Creekside No	Some	No	No	No
The Fountains at River Oaks No	None	No	No	No
Parkside Commons No	None	No	No	Yes
Villa Mariposa No	None	No	No	Yes
San Marino No	None	Yes	No	No
The Promenade Yes	None	No	No	Yes
Foxchase I and II No	None	No	No	Yes
Glen Creek No	None	No	No	No
Fairway Glen No	Some	No	No	No
CentreMark No	None	Yes	No	Yes
Avalon on the Alameda No	None	Yes	Yes	Yes
Rosewalk at Waterford Park I Yes	None	Yes	No	No
Rosewalk at Waterford Park II Yes	None	Yes	No	No

<CAPTION>

	Car wash	Picnic area	Walking / jogging	Pool	Sauna / whirlpool
<S>	<C>	<C>	<C>	<C>	<C>
-----					
CURRENT COMMUNITIES (3)					
NORTHERN CALIFORNIA					
Alameda County, CA					
Waterford	Yes	No	No	Yes	Yes
Hampton Place	Yes	No	No	Yes	Yes
Hacienda Gardens	Yes	No	No	Yes	Yes
Amador Oaks	Yes	Yes	No	Yes	Yes
Willow Creek	Yes	Yes	No	Yes	Yes
Alicante	Yes	No	No	Yes	Yes
Barrington Hills	No	No	No	Yes	Yes
Parc Centre at Union Square	No	No	No	Yes	No
Central Valley, CA					
Governor's Square	No	No	No	Yes	Yes
San Francisco, CA					
Crown Ridge	No	No	Yes	Yes	Yes
Sunset Towers	No	Yes	No	No	No
City Heights	No	Yes	No	No	No
Village Square	No	No	No	Yes	Yes
Avalon Towers by the Bay	No	No	No	No	Yes
Crossbrook	No	Yes	Yes	Yes	Yes
San Mateo, CA					
Cedar Ridge	No	No	No	Yes	Yes
Regatta Bay	Yes	No	Yes	Yes	No
Sea Ridge	No	No	No	Yes	No
Santa Clara County, CA					
Toscana	No	Yes	No	Yes	Yes
Carriage Square	Yes	No	No	Yes	Yes
Canyon Creek	No	Yes	Yes	Yes	Yes
CountryBrook	Yes	No	No	Yes	Yes
The Arbors	No	Yes	No	Yes	Yes
Avalon at Creekside	No	Yes	Yes	Yes	No
The Fountains at River Oaks	No	Yes	No	Yes	Yes
Parkside Commons	No	Yes	No	Yes	Yes
Villa Mariposa	Yes	Yes	No	Yes	Yes
San Marino	Yes	No	No	Yes	Yes
The Promenade	Yes	Yes	No	Yes	Yes
Foxchase I and II	Yes	No	No	Yes	Yes
Glen Creek	Yes	No	No	Yes	Yes
Fairway Glen	Yes	Yes	No	Yes	Yes
CentreMark	No	No	No	Yes	Yes
Avalon on the Alameda	No	No	No	Yes	No

Rosewalk at Waterford Park I	No	Yes	Yes	Yes	Yes
Rosewalk at Waterford Park II	No	Yes	Yes	Yes	Yes

<CAPTION>

Indoor basketball	Tennis court	Racquetball	Fitness center	Sand volleyball	outdoor
-----					
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CURRENT COMMUNITIES (3)					
NORTHERN CALIFORNIA					
Alameda County, CA					
Waterford	No	No	Yes	No	Yes
Hampton Place	No	No	Yes	No	No
Hacienda Gardens	No	No	Yes	No	Yes
Amador Oaks	No	No	Yes	Yes	Yes
Willow Creek	No	No	Yes	No	No
Alicante	No	No	Yes	No	No
Barrington Hills	No	Yes	No	No	No
Parc Centre at Union Square	No	No	Yes	No	No
Central Valley, CA					
Governor's Square	No	No	Yes	No	No
San Francisco, CA					
Crown Ridge	No	No	Yes	No	No
Sunset Towers	No	No	No	No	No
City Heights	No	No	No	No	No
Village Square	No	No	Yes	No	No
Avalon Towers by the Bay	No	No	Yes	No	No
Crossbrook	No	No	Yes	No	No
San Mateo, CA					
Cedar Ridge	No	No	Yes	No	No
Regatta Bay	No	No	No	No	No
Sea Ridge	No	No	Yes	No	No
Santa Clara County, CA					
Toscana	No	No	Yes	No	Yes
Carriage Square	No	No	Yes	No	No
Canyon Creek	No	No	Yes	Yes	No
CountryBrook	No	No	Yes	No	No
The Arbors	No	No	Yes	Yes	Yes
Avalon at Creekside	Yes	No	Yes	Yes	Yes
The Fountains at River Oaks	No	No	Yes	No	No
Parkside Commons	No	No	Yes	No	Yes
Villa Mariposa	No	No	Yes	Yes	No
San Marino	No	No	Yes	No	No
The Promenade	No	No	Yes	No	No
Foxchase I and II	No	No	Yes	No	No
Glen Creek	No	No	Yes	No	No
Fairway Glen	No	No	Yes	No	No
CentreMark	No	No	Yes	No	No
Avalon on the Alameda	No	No	Yes	No	No
Rosewalk at Waterford Park I	No	No	Yes	No	No
Rosewalk at Waterford Park II	No	No	No	No	No

<CAPTION>

	Clubhouse / clubroom	Business center	Totlot	Concierge
-----				
<S>	<C>	<C>	<C>	<C>
CURRENT COMMUNITIES (3)				
NORTHERN CALIFORNIA				
Alameda County, CA				
Waterford	No	No	Yes	No
Hampton Place	Yes	No	No	No
Hacienda Gardens	No	Yes	Yes	No
Amador Oaks	No	Yes	No	No
Willow Creek	No	No	No	No
Alicante	Yes	No	No	No
Barrington Hills	Yes	No	No	No
Parc Centre at Union Square	No	No	No	No
Central Valley, CA				
Governor's Square	No	No	No	No
San Francisco, CA				
Crown Ridge	No	Yes	No	No



Sunset Towers	No	No	No	No
City Heights	No	No	No	Yes
Village Square	Yes	No	Yes	No
Avalon Towers by the Bay	Yes	Yes	No	Yes
Crossbrook	No	No	Yes	No
San Mateo, CA				
Cedar Ridge	Yes	No	No	No
Regatta Bay	Yes	No	Yes	No
Sea Ridge	No	No	No	No
Santa Clara County, CA				
Toscana	Yes	Yes	Yes	Yes
Carriage Square	No	Yes	No	No
Canyon Creek	No	Yes	Yes	No
CountryBrook	No	No	No	No
The Arbors	No	Yes	No	No
Avalon at Creekside	Yes	Yes	No	No
The Fountains at River Oaks	No	Yes	No	No
Parkside Commons	Yes	Yes	Yes	No
Villa Mariposa	No	Yes	Yes	No
San Marino	No	No	Yes	No
The Promenade	No	Yes	Yes	No
Foxchase I and II	No	No	No	No
Glen Creek	No	No	No	No
Fairway Glen	No	No	Yes	No
CentreMark	No	Yes	No	No
Avalon on the Alameda	No	No	No	Yes
Rosewalk at Waterford Park I	No	Yes	No	No
Rosewalk at Waterford Park II	No	No	No	No

FEATURES AND RECREATIONAL AMENITIES - CURRENT AND DEVELOPMENT COMMUNITIES  
(CONTINUED)

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	Buildings w/ security systems	Community entrance controlled access	Building entrance controlled access	Under- ground parking	dance studio
-----					
<S>	<C>	<C>	<C>	<C>	<C>
SOUTHERN CALIFORNIA					
Los Angeles, CA					
ViewPointe	None	Yes	No	Yes	No
Lakeside	None	No	Yes	No	No
Avalon Westside Terrace	None	Yes	Yes	Yes	No
Arbor Heights	None	Yes	No	No	No
Warner Oaks	None	Yes	Yes	No	No
TimberWood	Some	Yes	No	No	No
Orange County, CA					
SunScape	None	Yes	No	No	No
Avalon at Pacific Bay	None	Yes	No	No	No
Mill Creek	None	Yes	No	No	No
Villa Serena	None	No	No	No	No
Amberway	None	Yes	No	No	No
Laguna Brisas	None	No	No	Yes	No
Lafayette Place	None	No	No	No	No
Larkspur Canyon	None	Yes	No	No	No
San Diego, CA					
Avalon at Mission Bay	None	Yes	Yes	Yes	Yes
Gateway Tower	All	Yes	Yes	No	No
Mission Woods	Some	No	No	No	No
SummerWalk	None	No	No	No	No
PACIFIC NORTHWEST					
Portland, OR					
Waterhouse Place	None	No	No	No	No
Seattle, WA					
The Verandas at Bear Creek	All	Yes	No	No	No
Gallery Place	None	No	No	No	No
Avalon Ridge	None	No	Yes	No	No
Avalon Westhaven	None	No	No	No	No

NORTHEAST

Boston, MA

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

<CAPTION>

	Car wash	Picnic area	Walking / jogging	Pool	Sauna / whirlpool
-----					
<S>	<C>	<C>	<C>	<C>	<C>
SOUTHERN CALIFORNIA					
Los Angeles, CA					
ViewPointe	No	No	No	Yes	Yes
Lakeside	No	Yes	No	Yes	No
Avalon Westside Terrace	No	No	No	Yes	Yes
Arbor Heights	No	No	No	Yes	Yes
Warner Oaks	No	No	No	Yes	Yes
TimberWood	No	No	No	Yes	No
Orange County, CA					
SunScape	No	Yes	No	Yes	Yes
Avalon at Pacific Bay	No	No	No	Yes	Yes
Mill Creek	Yes	No	No	Yes	Yes
Villa Serena	Yes	Yes	No	Yes	Yes
Amberway	Yes	No	No	Yes	Yes
Laguna Brisas	No	No	No	Yes	Yes
Lafayette Place	Yes	No	No	Yes	Yes
Larkspur Canyon	No	No	Yes	Yes	Yes
San Diego, CA					
Avalon at Mission Bay	Yes	No	No	Yes	Yes
Gateway Tower	No	No	Yes	Yes	Yes
Mission Woods	No	Yes	No	Yes	Yes
SummerWalk	No	Yes	Yes	Yes	Yes
PACIFIC NORTHWEST					
Portland, OR					
Waterhouse Place	No	Yes	Yes	Yes	Yes
Seattle, WA					
The Verandas at Bear Creek	No	Yes	Yes	Yes	Yes
Gallery Place	Yes	No	Yes	Yes	Yes
Avalon Ridge	No	Yes	No	Yes	Yes
Avalon Westhaven	No	Yes	No	Yes	Yes
NORTHEAST					
Boston, MA					
Avalon at Prudential Center	No	Yes	No	No	No
Longwood Towers	Yes	Yes	No	No	No
Avalon at Center Place	Yes	Yes	No	Yes	No
Avalon Summit	No	Yes	No	Yes	No
Avalon at Lexington	No	Yes	No	Yes	No
Avalon at Faxon Park	No	Yes	No	Yes	Yes
Avalon West	No	Yes	No	Yes	No
Avalon Oaks	No	Yes	No	Yes	Yes

<CAPTION>

	Tennis court	Racquetball	Fitness center	Sand volleyball	Indoor basketball
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SOUTHERN CALIFORNIA					
Los Angeles, CA					
ViewPointe	No	No	Yes	No	No
Lakeside	No	No	Yes	No	No
Avalon Westside Terrace	Yes	No	Yes	No	Yes
Arbor Heights	No	No	Yes	No	No
Warner Oaks	Yes	No	Yes	No	No
TimberWood	No	No	Yes	No	No

Orange County, CA					
SunScape	No	No	Yes	No	No
Avalon at Pacific Bay	No	No	Yes	No	No
Mill Creek	Yes	No	Yes	Yes	No
Villa Serena	No	No	Yes	No	No
Amberway	No	No	No	No	No
Laguna Brisas	No	No	No	No	No
Lafayette Place	No	No	Yes	No	No
Larkspur Canyon	No	No	Yes	No	No
San Diego, CA					
Avalon at Mission Bay	Yes	No	Yes	Yes	Yes
Gateway Tower	Yes	No	Yes	No	No
Mission Woods	No	No	Yes	No	No
SummerWalk	Yes	Yes	Yes	Yes	No
PACIFIC NORTHWEST					
Portland, OR					
Waterhouse Place	No	No	Yes	No	No
Seattle, WA					
The Verandas at Bear Creek	No	No	Yes	No	No
Gallery Place	No	No	Yes	No	No
Avalon Ridge	No	No	Yes	No	Yes
Avalon Westhaven	No	No	Yes	No	No
NORTHEAST					
Boston, MA					
Avalon at Prudential Center	No	No	No	No	No
Longwood Towers	No	No	Yes	No	No
Avalon at Center Place	No	No	Yes	No	No
Avalon Summit	No	No	Yes	No	No
Avalon at Lexington	No	No	Yes	No	Yes
Avalon at Faxon Park	No	No	Yes	No	No
Avalon West	No	No	No	No	Yes
Avalon Oaks	No	No	Yes	No	No

<CAPTION>

	Clubhouse / clubroom	Business center	Totlot	Concierge
<S>	<C>	<C>	<C>	<C>
SOUTHERN CALIFORNIA				
Los Angeles, CA				
ViewPointe	No	Yes	No	No
Lakeside	No	Yes	No	No
Avalon Westside Terrace	Yes	Yes	Yes	No
Arbor Heights	No	No	Yes	No
Warner Oaks	No	Yes	No	No
TimberWood	No	No	Yes	No
Orange County, CA				
SunScape	Yes	Yes	Yes	No
Avalon at Pacific Bay	Yes	Yes	Yes	No
Mill Creek	Yes	Yes	No	No
Villa Serena	No	No	No	No
Amberway	No	No	Yes	No
Laguna Brisas	No	Yes	No	No
Lafayette Place	No	No	No	No
Larkspur Canyon	No	Yes	No	No
San Diego, CA				
Avalon at Mission Bay	Yes	Yes	No	No
Gateway Tower	Yes	Yes	No	No
Mission Woods	No	No	Yes	No
SummerWalk	No	Yes	Yes	No
PACIFIC NORTHWEST				
Portland, OR				
Waterhouse Place	Yes	No	Yes	No
Seattle, WA				
The Verandas at Bear Creek	Yes	Yes	Yes	No
Gallery Place	Yes	No	Yes	No
Avalon Ridge	Yes	No	Yes	No
Avalon Westhaven	Yes	Yes	Yes	No
NORTHEAST				
Boston, MA				
Avalon at Prudential Center	Yes	No	No	Yes
Longwood Towers	Yes	No	Yes	Yes
Avalon at Center Place	Yes	No	No	Yes
Avalon Summit	No	No	No	No
Avalon at Lexington	Yes	No	Yes	No

Avalon at Faxon Park	Yes	No	Yes	No
Avalon West	Yes	No	Yes	No
Avalon Oaks	Yes	No	Yes	No

FEATURES AND RECREATION AMENITIES - CURRENT AND DEVELOPMENT COMMUNITIES  
(CONTINUED)

<S>	Buildings w/ security systems	Community entrance controlled access	Building entrance controlled access	Under- ground parking
<C>	<C>	<C>	<C>	<C>
Fairfield County, CT				
Avalon Walk I & II	None	No	No	No
Avalon Glen	None	No	Yes	Yes
Avalon Gates	None	Yes	No	No
Hanover Hall	None	Yes	Yes	Yes
Avalon Springs	All	No	No	No
Avalon Valley	None	No	No	No
Avalon Lake	None	No	No	No
Hartford, CT				
Avalon Pavilions	None	No	No	No
Long Island, NY				
Avalon Commons	All	No	Yes	No
Avalon Towers	All	No	No	Yes
Avalon Court	All	Yes	Yes	No
Northern New Jersey				
Avalon Cove	All	Yes	Yes	No
The Tower at Avalon Cove	All	Yes	Yes	No
Avalon Watch	Some	No	Yes	No
Avalon Crest	All	Yes	Yes	No
Avalon Run East	None	No	No	No
Westchester, NY				
Avalon Gardens	All	No	No	No
Avalon View	None	No	No	No
Avalon Green	All	No	No	No
The Avalon	All	No	Yes	Yes
MID-ATLANTIC				
Baltimore, MD				
Avalon at Fairway Hills I & II	None	No	No	No
Avalon at Symphony Glen	None	No	No	No
Avalon Landing	None	No	No	No
Norfolk, VA				
Avalon Birches	None	No	No	No
Avalon Pines	None	No	No	No
Northern Virginia				
Avalon at Ballston - Vermont & Quincy Towers	None	Yes	Yes	Yes
Avalon Crescent	None	Yes	No	No
Avalon at Ballston - Washington Towers	None	Yes	Yes	Yes
Avalon at Cameron Court	All	Yes	No	No
AutumnWoods	None	No	No	No
Avalon at Fair Lakes	None	Yes	No	No
Avalon at Dulles	None	No	No	No
Avalon at Providence Park	None	No	No	No

<CAPTION>

<S>	Aerobics dance studio	Car wash	Picninc area	Walking / jogging
<C>	<C>	<C>	<C>	<C>
Fairfield County, CT				
Avalon Walk I & II	Yes	Yes	Yes	Yes
Avalon Glen	No	No	No	No
Avalon Gates	No	No	Yes	No
Hanover Hall	No	No	No	No
Avalon Springs	No	No	Yes	Yes
Avalon Valley	No	No	Yes	No
Avalon Lake	No	No	Yes	No
Hartford, CT				
Avalon Pavilions	Yes	No	Yes	No
Long Island, NY				

Avalon Commons	No	No	Yes	No
Avalon Towers	No	Yes	No	No
Avalon Court	No	No	Yes	No
Northern New Jersey				
Avalon Cove	Yes	No	Yes	Yes
The Tower at Avalon Cove	Yes	No	Yes	Yes
Avalon Watch	No	No	Yes	No
Avalon Crest	Yes	No	No	No
Avalon Run East	No	No	Yes	Yes
Westchester, NY				
Avalon Gardens	No	No	Yes	No
Avalon View	No	No	Yes	No
Avalon Green	No	No	No	No
The Avalon	No	No	No	No
MID-ATLANTIC				
Baltimore, MD				
Avalon at Fairway Hills I & II	No	Yes	Yes	No
Avalon at Symphony Glen	No	Yes	Yes	Yes
Avalon Landing	No	Yes	Yes	Yes
Norfolk, VA				
Avalon Birches	No	Yes	Yes	Yes
Avalon Pines	No	Yes	Yes	Yes
Northern Virginia				
Avalon at Ballston - Vermont & Quincy Towers	No	No	Yes	No
Avalon Crescent	Yes	Yes	Yes	Yes
Avalon at Ballston - Washington Towers	No	No	Yes	No
Avalon at Cameron Court	Yes	Yes	Yes	No
AutumnWoods	No	Yes	Yes	Yes
Avalon at Fair Lakes	No	Yes	Yes	No
Avalon at Dulles	No	Yes	No	Yes
Avalon at Providence Park	No	Yes	No	No

<CAPTION>

	Pool	Sauna / whirlpool	Tennis court	Racquetball	Fitness center
-----					
<S>	<C>	<C>	<C>	<C>	
<C>					
Fairfield County, CT					
Avalon Walk I & II	Yes	No	Yes	Yes	
Yes					
Avalon Glen	Yes	No	No	Yes	
Yes					
Avalon Gates	Yes	No	No	Yes	
Yes					
Hanover Hall	Yes	No	No	No	
No					
Avalon Springs	Yes	No	No	No	
Yes					
Avalon Valley	Yes	No	No	No	
Yes					
Avalon Lake	Yes	No	No	No	
Yes					
Hartford, CT					
Avalon Pavilions	Yes	No	Yes	Yes	
Yes					
Long Island, NY					
Avalon Commons	Yes	No	No	No	
Yes					
Avalon Towers	Yes	No	No	No	
Yes					
Avalon Court	Yes	No	No	No	
Yes					
Northern New Jersey					
Avalon Cove	Yes	No	Yes	Yes	
Yes					
The Tower at Avalon Cove	Yes	No	Yes	Yes	
Yes					
Avalon Watch	Yes	No	Yes	Yes	
Yes					
Avalon Crest	Yes	No	No	No	
Yes					
Avalon Run East	Yes	No	No	No	
Yes					

Westchester, NY				
Avalon Gardens	Yes	No	Yes	Yes
Yes				
Avalon View	Yes	No	Yes	No
Yes				
Avalon Green	Yes	No	No	No
No				
The Avalon	No	No	No	No
Yes				

MID-ATLANTIC

Baltimore, MD				
Avalon at Fairway Hills I & II	Yes	No	Yes	Yes
Yes				
Avalon at Symphony Glen	Yes	No	No	No
No				
Avalon Landing	Yes	No	No	No
Yes				

Norfolk, VA

Avalon Birches	Yes	Yes	Yes	No
Yes				
Avalon Pines	Yes	Yes	No	Yes
Yes				

Northern Virginia

Avalon at Ballston - Vermont & Quincy Towers	Yes	Yes	No	No
Yes				
Avalon Crescent	Yes	No	No	No
Yes				
Avalon at Ballston - Washington Towers	Yes	No	Yes	No
Yes				
Avalon at Cameron Court	Yes	Yes	No	No
Yes				
AutumnWoods	Yes	No	Yes	No
Yes				
Avalon at Fair Lakes	Yes	No	Yes	No
Yes				
Avalon at Dulles	Yes	Yes	Yes	No
Yes				
Avalon at Providence Park	Yes	No	No	No
Yes				

<CAPTION>

	Sand volleyball	Indoor outdoor basketball	Clubhouse / clubroom	Business
--	-----------------	------------------------------	-------------------------	----------

center

-----

<S>	<C>	<C>	<C>	<C>
Fairfield County, CT				
Avalon Walk I & II	No	Yes	Yes	No
Avalon Glen	No	No	Yes	No
Avalon Gates	Yes	Yes	Yes	No
Hanover Hall	No	No	No	No
Avalon Springs	No	No	Yes	No
Avalon Valley	No	Yes	Yes	No
Avalon Lake	No	No	No	No
Hartford, CT				
Avalon Pavilions	Yes	Yes	Yes	No
Long Island, NY				
Avalon Commons	No	Yes	Yes	Yes
Avalon Towers	No	No	Yes	No
Avalon Court	No	No	Yes	No
Northern New Jersey				
Avalon Cove	No	Yes	Yes	Yes
The Tower at Avalon Cove	No	Yes	Yes	Yes
Avalon Watch	No	Yes	Yes	No
Avalon Crest	No	Yes	Yes	Yes
Avalon Run East	No	No	Yes	No
Westchester, NY				
Avalon Gardens	Yes	Yes	Yes	Yes
Avalon View	No	Yes	Yes	No
Avalon Green	Yes	No	Yes	No
The Avalon	No	No	Yes	Yes
MID-ATLANTIC				
Baltimore, MD				
Avalon at Fairway Hills I & II	No	No	Yes	Yes
Avalon at Symphony Glen	No	No	Yes	No
Avalon Landing	No	No	Yes	No

Norfolk, VA					
Avalon Birches	Yes	No	Yes	No	
Avalon Pines	No	Yes	Yes	No	
Northern Virginia					
Avalon at Ballston - Vermont & Quincy Towers	No	No	Yes	No	
Avalon Crescent	No	No	Yes	Yes	
Avalon at Ballston - Washington Towers	No	No	Yes	No	
Avalon at Cameron Court	Yes	Yes	Yes	Yes	
AutumnWoods	Yes	Yes	Yes	No	
Avalon at Fair Lakes	No	No	Yes	Yes	
Avalon at Dulles	No	No	Yes	No	
Avalon at Providence Park	No	No	Yes	Yes	

<CAPTION>

	Totlot	Concierge
-----		
<S>	<C>	<C>
Fairfield County, CT		
Avalon Walk I & II	Yes	No
Avalon Glen	No	No
Avalon Gates	Yes	No
Hanover Hall	No	No
Avalon Springs	No	No
Avalon Valley	Yes	No
Avalon Lake	No	No
Hartford, CT		
Avalon Pavilions	Yes	No
Long Island, NY		
Avalon Commons	Yes	No
Avalon Towers	No	Yes
Avalon Court	Yes	No
Northern New Jersey		
Avalon Cove	Yes	Yes
The Tower at Avalon Cove	Yes	Yes
Avalon Watch	Yes	No
Avalon Crest	No	No
Avalon Run East	Yes	No
Westchester, NY		
Avalon Gardens	Yes	Yes
Avalon View	Yes	No
Avalon Green	No	No
The Avalon	No	Yes
MID-ATLANTIC		
Baltimore, MD		
Avalon at Fairway Hills I & II	Yes	No
Avalon at Symphony Glen	Yes	No
Avalon Landing	No	No
Norfolk, VA		
Avalon Birches	Yes	No
Avalon Pines	No	No
Northern Virginia		
Avalon at Ballston - Vermont & Quincy Towers	No	No
Avalon Crescent	Yes	Yes
Avalon at Ballston - Washington Towers	No	Yes
Avalon at Cameron Court	No	No
AutumnWoods	Yes	No
Avalon at Fair Lakes	No	No
Avalon at Dulles	No	No
Avalon at Providence Park	No	No

</TABLE>

<TABLE>  
<CAPTION>

Aerobics studio	Buildings w/ security systems	Community entrance controlled access	Building entrance controlled access	Under- ground parking	dance studio
-----					

<S>	<C>	<C>	<C>	<C>	<C>
Richmond, VA Avalon Woods	None	No	No	No	No
Southern Maryland Avalon at Decoverly	None	No	No	No	No
Avalon Knoll	None	No	Yes	No	No
Avalon Fields I & II	All	No	No	No	No
Avalon Crossing	None	Yes	No	No	No
Washington, D.C. 4100 Massachusetts Avenue	None	Yes	Yes	Yes	No
MIDWEST					
Chicago, IL Avalon at Danada Farms	None	No	No	No	No
Avalon at West Grove	None	No	Yes	No	No
Avalon at Stratford Green	None	No	No	No	No
Minneapolis, MN Avalon at Devonshire	None	No	Yes	Yes	No
Avalon at Edinburg	None	No	Yes	Yes	No
Avalon at Town Centre	None	No	Yes	Yes	No
Avalon at Town Square	None	No	Yes	Yes	No
Avalon at Woodbury	None	No	No	No	No
DEVELOPMENT COMMUNITIES					
Avalon Corners	All	Yes	Yes	Yes	No
Avalon Court North	All	No	Yes	No	No
Avalon Willow	All	Yes	Yes	Yes	No
Avalon at Fox Mill	None	No	No	No	No
Avalon Essex	None	No	Yes	No	No
Avalon Haven	None	No	No	No	No
Avalon at Florham Park	None	No	No	No	No
Avalon River Mews	All	Yes	Yes	Yes	No
Avalon Bellevue	None	No	Yes	Yes	No
Avalon at Arlington Square I	None	No	Yes	No	No
Avalon on the Sound	None	No	No	No	No
Avalon Estates	None	No	No	No	No

<CAPTION>

	Car wash	Picnic area	Walking / jogging	Pool	Sauna / whirlpool
<S>	<C>	<C>	<C>	<C>	<C>
Richmond, VA Avalon Woods	Yes	Yes	No	Yes	Yes
Southern Maryland Avalon at Decoverly	Yes	Yes	Yes	Yes	Yes
Avalon Knoll	Yes	Yes	Yes	Yes	Yes
Avalon Fields I & II	Yes	Yes	No	Yes	No
Avalon Crossing	Yes	Yes	No	Yes	No
Washington, D.C. 4100 Massachusetts Avenue	No	No	Yes	Yes	No
MIDWEST					
Chicago, IL Avalon at Danada Farms	No	No	No	Yes	No
Avalon at West Grove	No	Yes	No	Yes	Yes
Avalon at Stratford Green	Yes	Yes	Yes	Yes	No
Minneapolis, MN Avalon at Devonshire	Yes	Yes	Yes	Yes	No
Avalon at Edinburg	Yes	Yes	Yes	Yes	Yes
Avalon at Town Centre	Yes	Yes	No	Yes	Yes
Avalon at Town Square	Yes	Yes	Yes	Yes	Yes
Avalon at Woodbury	No	No	Yes	Yes	No
DEVELOPMENT COMMUNITIES					
Avalon Corners	No	Yes	No	Yes	No
Avalon Court North	Yes	Yes	Yes	Yes	No
Avalon Willow	No	Yes	No	Yes	No
Avalon at Fox Mill	Yes	Yes	No	Yes	No
Avalon Essex	No	Yes	No	Yes	Yes
Avalon Haven	No	Yes	No	Yes	No
Avalon at Florham Park	No	No	No	Yes	No
Avalon River Mews	No	No	No	Yes	No
Avalon Bellevue	No	No	No	No	No
Avalon at Arlington Square I	No	Yes	No	Yes	No
Avalon on the Sound	No	Yes	Yes	Yes	No





Avalon at Fox Mill	Yes	No	Yes	No
Avalon Essex	Yes	No	No	No
Avalon Haven	Yes	No	Yes	No
Avalon at Florham Park	Yes	No	No	No
Avalon River Mews	Yes	Yes	No	Yes
Avalon Bellevue	Yes	Yes	No	Yes
Avalon at Arlington Square I	Yes	Yes	Yes	No
Avalon on the Sound	Yes	No	No	Yes
Avalon Estates	Yes	No	Yes	No

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Notes to Community Information tables on pages 11 through 22

- (1) Represents the average rental revenue per occupied apartment home.
- (2) Costs are presented in accordance with generally accepted accounting principles. For Development Communities, cost represents total costs incurred through December 31, 1999.
- (3) For purposes of these tables, Current Communities include only communities for which we held fee simple ownership interests or which we held through DownREIT partnerships.

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#### Development Communities

As of March 1, 2000, we had 12 Development Communities under construction. We expect these Development Communities, when completed, to add a total of 3,173 apartment homes to our portfolio for a total capitalized cost, including land acquisition costs, of approximately \$505.9 million. Statements regarding the future development or performance of the Development Communities are forward-looking statements. We cannot assure you that:

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

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

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

<TABLE>  
<CAPTION>

	Number of apartment homes	Budgeted cost (1) (\$ millions)	Construction start	Initial occupancy (2)	Estimated completion date	Estimated date (3)	
---							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
1.	Avalon Willow Mamaroneck, NY	227	\$46.8	Q2 1997	Q1 1999	Q2 2000	Q3 2000
2.	Avalon Corners Stamford, CT	195	\$32.5	Q3 1998	Q3 1999	Q1 2000	Q3 2000
3.	Avalon Fox Mill Herndon, VA	165	\$20.1	Q4 1998	Q3 1999	Q1 2000	Q2 2000
4.	Avalon Court North Melville, NY	340	\$40.4	Q4 1998	Q3 1999	Q1 2000	Q3 2000
5.	Avalon Essex Peabody, MA	154	\$21.4	Q2 1999	Q2 2000	Q4 2000	Q1 2001
6.	Avalon at Florham Park Florham Park, NJ	270	\$41.3	Q2 1999	Q1 2000	Q2 2001	Q4 2001
7.	Avalon River Mews Edgewater, NJ	408	\$75.6	Q3 1999	Q1 2001	Q3 2001	Q1 2002
8.	Avalon Haven North Haven, CT	128	\$14.4	Q3 1999	Q2 2000	Q4 2000	Q1 2001
9.	Avalon Bellevue Bellevue, WA	202	\$29.9	Q4 1999	Q1 2001	Q2 2001	Q3 2001
10.	Avalon at Arlington Square I Arlington, VA	510	\$69.9	Q4 1999	Q4 2000	Q4 2001	Q3 2002

11.	Avalon on the Sound (4) New Rochelle, NY	412	\$93.3	Q4 1999	Q3 2001	Q4 2001	Q3 2002
12.	Avalon Estates Hull, MA	162	\$20.3	Q4 1999	Q4 2000	Q2 2001	Q4 2001
		-----					
	Total	3,173	\$505.9	=====			

</TABLE>

- (1) Total budgeted cost includes all capitalized costs projected to be incurred to develop the respective Development Community, including land acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees determined in accordance with generally accepted accounting principles.
- (2) Future initial occupancy dates are estimates.
- (3) Stabilized operations is defined as the first full quarter of 95% or greater occupancy after completion of construction.
- (4) This community will be developed under a joint venture structure and the joint venture entity (a limited liability company) will obtain third party debt financing which initially will be guaranteed by AvalonBay. AvalonBay's equity funding of the budgeted cost is expected to be \$13.8 million.

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#### Redevelopment Communities

As of March 1, 2000, we had four communities under redevelopment. We expect the total budgeted cost to complete these Redevelopment Communities, including the cost of acquisition and redevelopment, to be approximately \$154.0 million, of which approximately \$38.7 million is the additional capital invested or expected to be invested above the original purchase cost. Statements regarding the future redevelopment or performance of the Redevelopment Communities are forward-looking statements. We have found that the cost to redevelop an existing apartment community is more difficult to budget and estimate than the cost to develop a new community. Accordingly, we expect that actual costs may vary over a wider range than for a new development community. We cannot assure you that we will meet our schedules for reconstruction completion, or that we will meet our budgeted costs, either individually or in the aggregate. See the discussion under "Risks of Development and Redevelopment" below.

The following presents a summary of Redevelopment Communities:

Estimated restabilized (3)		Number of apartment homes	Budgeted Cost (\$ millions) Acquisition cost	Total cost (1)	Reconstruction start	Reconstruction completion (2)	operations	
-----		-----						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
1.	Avalon Ridge Renton, WA	421	\$25.3	\$35.7	Q3 1998	Q2 2000	Q2	
2000	2.	Avalon at Mission Bay San Diego, CA	564	\$43.8	\$57.3	Q3 1998	Q2 2000	Q3
2000	3.	Avalon at Creekside Mountain View, CA	294	\$29.0	\$39.8	Q2 1999	Q3 2000	Q4
2000	4.	Laguna Brisas Laguna Niguel, CA	176	\$17.2	\$21.2	Q3 1999	Q2 2000	Q4
		-----						
	Total	1,455	\$115.3	\$154.0	=====			

</TABLE>

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

- (2) Reconstruction completion dates are estimates.  
 (3) Restabilized operations is defined as the first full quarter of 95% or greater occupancy after completion of reconstruction.

Development Rights

As of March 1, 2000, we are considering the development of 30 new apartment communities. These Development Rights range from land owned or under contract for which design and architectural planning has just begun to land under contract or owned by us with completed site plans and drawings where construction can begin almost immediately. We estimate that the successful completion of all of these communities would ultimately add 8,624 upscale apartment homes to our portfolio. At December 31, 1999, the cumulative capitalized costs incurred in pursuit of the 30 Development Rights, including the cost of land acquired in connection with six of the Development Rights, was approximately \$64.8 million, of which \$40.5 was land. Substantially all of these apartment homes will offer features like those offered by the communities we currently own.

We generally hold Development Rights through options to acquire land, although one Development Right located in New Canaan, CT is controlled through a joint venture partnership that owns the land. The properties comprising the Development Rights are in different stages of the due diligence and regulatory approval process. The decisions as to which of the Development Rights to pursue, if any, or to continue to pursue once an investment in a Development Right is made are business judgments that we make after we perform financial, demographic and other analysis. Finally, we currently intend to limit the percentage of debt used to finance new developments in order to maintain our general historical practice with respect to the proportion of debt in our capital structure. Therefore, other financing alternatives may be required to finance the development of those Development Rights scheduled to start construction after January 1, 2000. Although the development of any particular Development Right cannot be

assured, we believe that the Development Rights, in the aggregate, present attractive potential opportunities for future development and growth of our FFO.

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

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

The following presents a summary of the 30 Development Rights we are currently pursuing:

<TABLE>  
<CAPTION>

	Location		Estimated number of homes	Total budgeted costs (\$ millions)
<S>	<C>		<C>	<C>
1.	Mountain View, CA	(1)	211	59.7
2.	San Jose, CA	(1)	221	41.6
3.	Stamford, CT		327	59.7
4.	Freehold, NJ		296	31.0
5.	Orange, CT	(1)	168	18.2
6.	New Canaan, CT	(1) (2)	104	26.4
7.	Darien, CT		189	34.2
8.	Yonkers, NY		256	35.2
9.	Greenburgh - II, NY		500	84.3
10.	Greenburgh - III, NY		266	44.4
11.	Arlington II, VA	(1)	332	39.9
12.	Hopewell, NJ		280	34.0
13.	Providence, RI		243	35.2
14.	Port Jefferson, NY		232	27.6
15.	Yorktown, NY		396	47.2
16.	Marlboro, MA		228	25.1
17.	Newtown, CT		304	34.3
18.	Wilton, CT		115	21.1
19.	North Potomac, MD		564	64.1
20.	Los Angeles, CA		272	46.0
21.	Weymouth, MA		300	31.7
22.	San Diego, CA	(1)	378	53.5

23.	Long Island City, NY	361	90.3
24.	Coram, NY	450	60.6
25.	Westborough, MA	423	47.8
26.	Lawrence, NJ	342	37.7
27.	Salem, MA	176	19.9
28.	Wilmington, MA	128	16.6
29.	North Bethesda, MD	312	30.0
30.	San Francisco, CA	250	69.6
	Totals	8,624	\$1,266.9

</TABLE>

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

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#### Risks of Development and Redevelopment

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

- we may abandon opportunities we have already begun to explore based on further review of, or changes in, financial, demographic, environmental or other factors;
- we may encounter liquidity constraints, including the unavailability of financing on favorable terms for the development or redevelopment of a community;
- we may be unable to obtain, or we may experience delays in obtaining, all necessary zoning, land-use, building, occupancy, and other required governmental permits and authorizations;
- we may incur construction or reconstruction costs for a community that exceed our original estimates due to increased materials, labor or other expenses, which could make completion or redevelopment of the community uneconomical;
- occupancy rates and rents at a newly completed or redevelopment community may fluctuate depending on a number of factors, including market and general economic conditions, and may not be sufficient to make the community profitable; and
- we may be unable to complete construction and lease-up on schedule, resulting in increased debt service expense and construction costs.

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

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

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

Nonetheless, because of increases in prevailing market rents we believe that, in the aggregate, we will still achieve our targeted projected yield (i.e., return on invested capital) for those communities experiencing costs in excess of the original budget. We believe that we could experience similar increases in construction costs and market rents with respect to other development communities resulting in total construction costs that exceed original budgets. Likewise, costs to redevelop communities that have been acquired have, in some cases, exceeded our original estimates and similar increases in costs may be experienced in the future. We cannot assure that market rents in effect at the time new development communities or repositioned communities complete lease-up will be sufficient to fully offset the effects of any increased construction or

## Capitalized Interest

In accordance with generally accepted accounting principles, we capitalize interest expense during construction or reconstruction until a building obtains a certificate of occupancy. Thereafter, the interest allocated to that completed building within the community is expensed. Capitalized interest during the years ended December 31, 1999, 1998 and 1997 totaled \$21,888,000, \$14,724,000 and \$9,024,000, respectively.

## Acquisition Activities and Other Recent Developments

Acquisitions of Existing Communities. On July 12, 1999 we acquired Avalon at Woodbury through a DownREIT partnership for approximately \$25,750,000 (including 117,178 units of limited partnership in the DownREIT partnership valued at \$4,614,000) pursuant to a presale agreement signed in 1997 with an unaffiliated company. The community contains 224 apartment homes, and is located in the Minneapolis, Minnesota area.

Sales of Existing Communities. During 1998, we completed a strategic planning effort that resulted in our decision to increase our geographical concentration in selected high barrier-to-entry markets where we believe we can:

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

To effect this increased concentration, we adopted an aggressive capital redeployment strategy and are selling assets in markets where our current presence is limited. In connection with this capital redeployment strategy, since January 1, 1999 we sold 17 communities, totaling 4,824 apartment homes, and a participating mortgage note secured by a community for a gross sales price of \$346,212,000. Net proceeds from the sale of these assets totaled \$310,243,000.

Land Acquisitions and Leases for New Developments. We carefully select land for development and follow established procedures that we believe minimize both the cost and the risks of development. During 1999, we acquired the following land parcels for future development:

<TABLE>  
<CAPTION>

Construction (2)	Gross acres	Estimated Number of apartment homes	Budgeted cost (1) (\$ millions)	Date Acquired	Construction start (2)	Completion
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>
1. Avalon River Mews Edgewater, NJ	7.1	408	\$75.6	March 1999	Q3 1999	Q3 2001
2. Avalon Bellevue Bellevue, WA	1.7	202	\$29.9	March 1999	Q4 1999	Q2 2001
3. Avalon Essex Peabody, MA	11.1	154	\$21.4	May 1999	Q2 1999	Q4 2000
4. Avalon at Florham Park Florham Park, NJ	41.9	270	\$41.3	June 1999	Q2 1999	Q2 2001
5. Avalon on the Sound (3) New Rochelle, NY	2.4	412	\$93.3	June 1999	Q4 1999	Q4 2001
6. Avalon Haven North Haven, CT	10.6	128	\$14.4	October 1999	Q3 1999	Q4 2000
7. Avalon at Scripps Ranch San Diego, CA	19.0	378	\$53.5	October 1999	Q3 2000	Q1 2002
8. Avalon Hill Orange, CT	9.6	168	\$17.9	October 1999	Q3 2000	Q4 2001
9. Avalon at Arlington Square I Arlington, VA	14.2	510	\$69.9	November 1999	Q4 1999	Q4 2001
10. Avalon at Arlington Square II Arlington, VA	6.1	332	\$39.9	November 1999	Q3 2001	Q1 2003
11. Avalon Estates Hull, MA	55.6	162	\$20.3	December 1999	Q4 1999	Q2 2001

Total	179.3	3,124	\$477.4
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</TABLE>

- (1) Total budgeted cost includes all capitalized costs projected to be incurred to develop the respective Development Community, including land acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees determined in accordance with generally accepted accounting principles.
- (2) Future construction start and completion dates are estimates.
- (3) This community will be developed on land being leased from an unrelated third party.

#### Natural Disasters

Many of our West Coast communities are located in the general vicinity of active earthquake faults. In July 1998, we obtained a seismic risk analysis from an engineering firm which estimated the probable maximum damage for each of the 60 West Coast communities that we owned at that time and for each of the five West Coast communities under development at that time. The seismic risk analysis was obtained for each individual community and for all of those communities combined. To establish a probable maximum damage, the engineers first define a severe earthquake event for the applicable geographic area, which is an earthquake that has only a 10% likelihood of occurring over a 50-year period. The probable maximum damage is determined as the structural and architectural damage and business interruption loss that is estimated to have only a 10% probability of being exceeded in the event of such an earthquake. Because a significant number of our communities are located in the San Francisco Bay Area, the engineers' analysis defined an earthquake on the Hayward Fault with a Richter Scale magnitude of 7.1 as a severe earthquake with a 10% probability of occurring within a 50-year period. The engineers then established an aggregate probable maximum damage at that time of \$113 million for the 60 West Coast communities that we owned at that time and the five West Coast communities under development. The \$113 million probable maximum damage for those communities was a probable maximum level that the engineers expected to be exceeded only 10% of the time in the event of such a severe earthquake. The actual aggregate probable maximum damage could be higher or lower as a result of variations in soil classifications and structural vulnerabilities. For each community, the engineers' analysis calculated an individual probable maximum damage as a percentage of the community's replacement cost and projected revenues. We cannot assure you that:

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

In August 1999, we renewed our earthquake insurance, both for physical damage and lost revenue, with respect to all communities we owned at that time and all of the communities under development. For any single occurrence, we have in place \$75,000,000 of coverage with a five percent deductible. The five percent deductible is subject to a minimum of \$100,000 and a maximum of \$25,000,000 per occurrence. In addition, our general liability and property insurance program provides coverage for public liability and fire damage. In the event an uninsured disaster or a loss in excess of insured limits were to occur, we could lose our capital invested in the affected community, as well as anticipated future revenue from that community. We would also continue to be obligated to repay any mortgage indebtedness or other obligations related to the community. Any such loss could materially and adversely affect our business and our financial condition and results of operations.

#### Americans with Disabilities Act

The apartment communities we own and any apartment communities that we acquire must comply with Title III of the Americans with Disabilities Act to the extent that such properties are "public accommodations" and/or "commercial facilities" as defined by the Americans with Disabilities Act. Compliance with the Americans with Disabilities Act requirements could require removal of structural barriers to handicapped access in certain public areas of our properties where such removal is readily achievable. The Americans with Disabilities Act does not, however, consider residential properties, such as apartment communities, to be public accommodations or commercial facilities, except to the extent portions of

such facilities, such as leasing offices, are open to the public. We believe our properties comply in all material respects with all present requirements under the Americans with Disabilities Act and applicable state laws. Noncompliance could result in imposition of fines or an award of damages to private litigants.

#### ITEM 3. LEGAL PROCEEDINGS

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

AvalonBay is currently involved in litigation with York Hunter Construction, Inc. and National Union Fire Insurance Company. The litigation involves construction work at AvalonBay's Avalon Willow community in Mamaroneck, New York. York Hunter initiated the litigation in October 1999, when it filed a complaint against AvalonBay and other defendants, claiming more than \$15 million in damages. AvalonBay has filed counterclaims against York Hunter for more than \$6 million in damages, and has also filed a claim against National Union Fire Insurance, which furnished construction and performance bonds to AvalonBay on behalf of York Hunter. AvalonBay believes that it has meritorious defenses against all of York Hunter's claims and is vigorously contesting those claims. AvalonBay also intends to pursue its counterclaims against York Hunter and National Union Fire Insurance aggressively.

The action arises from AvalonBay's October 8, 1999 termination of York Hunter as construction manager under a contract relating to construction of the Avalon Willow community because of alleged failures and deficiencies by York Hunter and its subcontractors in performing under the contract. On or about October 19, 1999, York Hunter filed a Summons with Notice in the Supreme Court of the State of New York, County of Westchester. In addition to AvalonBay, the Summons named The State of New York, The Village of Mamaroneck, and tenants of the Avalon

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Willow Community as defendants. In its Summons, and in a Verified Complaint filed on December 17, 1999, in the United States District Court for the Southern District of New York, York Hunter alleged that AvalonBay breached and wrongfully terminated the construction management contract, among other claims. The complaint also seeks foreclosure upon York Hunter's mechanic's lien.

On November 24, 1999, AvalonBay removed the litigation from the state court to the United States District Court for the Southern District of New York, and moved to dismiss the other defendants from the action. York Hunter filed a motion to have the action remanded to state court. On February 14, 2000, the District Court granted AvalonBay's motion and denied York Hunter's motion to remand.

On January 6, 2000, AvalonBay filed its Answer and Counterclaims. The Answer denies York Hunter's allegations. It also states eight causes of action against York Hunter, including breach of contract and contract damages related to AvalonBay's termination of the contract for cause. AvalonBay has also joined National Union Fire Insurance Company as a counter-defendant in the action, seeking recovery on the payment and performance bonds.

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

No matter was submitted to a vote of our security holders during the fourth quarter of 1999.

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

Our common stock is traded on the New York Stock Exchange (NYSE) and the Pacific Stock Exchange (PCX) under the ticker symbol AVB. The following table sets forth the quarterly high and low sales prices per share of our common stock on the NYSE for the years ended December 31, 1999 and 1998, as reported by the NYSE. On March 1, 2000, there were 928 holders of record of an aggregate of 65,871,094 shares of our outstanding common stock.

<TABLE>  
<CAPTION>

1999

1998, post merger



Dividends Declared	Sales Price		Dividends Declared	Sales Price		
	High	Low		High	Low	
Quarter ended March 31	\$34.313	\$30.813	\$0.51	N/A	N/A	
Quarter ended June 30	\$37.000	\$31.000	\$0.51	N/A	N/A	
Period June 4 through June 30	N/A	N/A	N/A	\$37.750	\$35.000	\$
Quarter ended September 30	\$35.875	\$32.563	\$0.52	\$38.438	\$30.500	\$
Quarter ended December 31	\$35.000	\$30.875	\$0.52	\$34.313	\$31.125	\$

<TABLE>  
<CAPTION>

Quarter Ended	1998, Avalon prior to merger			1998, Bay prior to merger		
	High	Low	Dividends Declared	High	Low	Dividends Declared
Quarter ended March 31	\$30.938	\$27.125	\$0.39	\$39.250	\$36.313	\$0.42
Period April 1 through June 3	\$29.250	\$27.375	N/A	\$37.875	\$36.000	N/A

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

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

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

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

ITEM 6. SELECTED FINANCIAL DATA

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

<TABLE>  
<CAPTION>

		Company (1)			
		Years ended			
		12-31-99	12-31-98	12-31-97	12-31-96
(Dollars in thousands, except per share information)					
OPERATING INFORMATION:					
Revenue:					
94,821	Rental income	\$ 503,132	\$ 369,945	\$ 169,442	\$ 123,354
1,926	Management fees	1,176	1,377	1,029	1,439
466	Other income	236	81	633	420
97,213	Total revenue	504,544	371,403	171,104	125,213
Expenses:					
27,963	Operating expenses, excluding property taxes	134,172	104,346	47,279	36,491
8,035	Property taxes	42,701	31,775	14,429	10,583
11,056	Interest expense	74,699	54,650	16,977	9,545
16,558	Depreciation and amortization	109,759	77,374	29,113	20,956
3,132	General and administrative	9,502	9,124	5,093	3,438
400	Development costs write-off	--	--	--	450
--	Non-recurring items	16,782	--	--	--
67,144	Total expenses	387,615	277,269	112,891	81,463
440	Equity in income of unconsolidated joint ventures	2,867	2,638	5,689	1,025
953	Interest income	7,362	3,508	1,346	887
633	Minority interest in unconsolidated partnerships	(1,975)	(1,770)	174	495
32,095	Income before gain on sale of communities and extraordinary item	125,183	98,510	65,422	46,157
--	Gain on sale of communities	47,093	25,270	677	7,850
32,095	Income before extraordinary item	172,276	123,780	66,099	54,007
(1,158)	Extraordinary item	--	(245)	(1,183)	(2,356)
30,937	Net income	172,276	123,535	64,916	51,651
--	Dividends attributable to preferred stock	(39,779)	(28,132)	(19,656)	(10,422)
30,937	Net income available to common stockholders	\$ 132,497	\$ 95,403	\$ 45,260	\$ 41,229

PER COMMON SHARE AND SHARE INFORMATION:						
1.47	Income before extraordinary item- basic	\$ 2.02	\$ 1.87	\$ 1.64	\$ 1.85	\$
1.47	Income before extraordinary item- diluted	\$ 2.00	\$ 1.84	\$ 1.63	\$ 1.84	\$
(0.05)	Extraordinary item	\$ --	\$ (0.00)	\$ (0.04)	\$ (0.10)	\$
1.42	Net income- basic	\$ 2.02	\$ 1.87	\$ 1.60	\$ 1.75	\$
1.42	Net income- diluted	\$ 2.00	\$ 1.84	\$ 1.59	\$ 1.74	\$
1.90	Cash dividends declared	\$ 2.06	\$ 2.04	\$ 2.00	\$ 1.94	\$
21,793,158	Weighted average common shares and units outstanding- basic	65,657,921	51,113,206	28,245,314	23,617,161	
21,828,020	Weighted average common shares and units outstanding- diluted	66,110,664	51,771,247	28,431,823	23,691,447	

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<TABLE>  
<CAPTION>

Company (1)					
Years ended					
	12-31-99	12-31-98	12-31-97	12-31-96	12-31-95
(Dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>
OTHER INFORMATION:					
30,937	Net income	\$ 172,276	\$ 123,535	\$ 64,916	\$ 51,651
16,558	Depreciation and amortization	109,759	77,374	29,113	20,956
11,056	Interest expense	74,699	54,650	16,977	9,545
(953)	Interest income	(7,362)	(3,508)	(1,346)	(887)
-	Non-recurring items	16,782	--	--	--
-	Gain on sale of communities	(47,093)	(25,270)	(677)	(7,850)
1,158	Extraordinary item	--	245	1,183	2,356
58,756	Gross EBITDA (2)	\$ 319,061	\$ 227,026	\$ 110,166	\$ 75,771
46,879	Funds from Operations (3)	\$ 212,840	\$ 148,487	\$ 73,525	\$ 54,622
38	Stabilized apartment communities (4)	118	113	64	45

BALANCE SHEET INFORMATION:

782,433	Real estate, before accumulated depreciation	\$4,266,426	\$4,006,456	\$1,534,986	\$1,081,906	\$
786,711	Total assets	\$4,154,662	\$4,005,013	\$1,529,703	\$1,082,771	\$
340,686	Notes payable and Unsecured Facilities	\$1,593,647	\$1,484,371	\$ 506,129	\$ 310,606	\$

CASH FLOW INFORMATION:

56,314	Net cash flows provided by operating activities	\$ 250,066	\$ 193,478	\$ 93,649	\$ 65,841	\$
	Net cash flows used in investing activities	\$ (264,619)	\$ (617,685)	\$ (421,420)	\$ (261,033)	

\$(189,582)

Net cash flows provided by financing activities \$ 13,284 \$ 426,375 \$ 320,252 \$ 207,632 \$ 132,207  
</TABLE>

Notes to Selected Financial Data

- (1) See our consolidated financial statements and the related notes included in this report, including footnote 2 thereof for a discussion of a revision to the financial presentation resulting from a change in accounting.
- (2) Gross EBITDA represents earnings before interest, income taxes, depreciation and amortization, non-recurring items, gain on sale of communities and extraordinary items. Gross EBITDA is relevant to an understanding of the economics of AvalonBay because it indicates cash flow available from operations to service fixed obligations. Gross EBITDA should not be considered as an alternative to operating income, as determined in accordance with GAAP, as an indicator of our operating performance, or to cash flows from operating activities (as determined in accordance with GAAP) as a measure of liquidity. Our calculation of gross EBITDA may not be comparable to gross EBITDA as calculated by other companies.
- (3) We generally consider Funds from Operations, or FFO, to be an appropriate measure of our operating performance because it helps investors understand our ability to incur and service debt and to make capital expenditures. We believe that to gain a clear understanding of our operating results, FFO should be examined with net income as presented in the consolidated financial statements included elsewhere in this report. FFO is determined based on a definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts(R) and is defined as:
- net income or loss computed in accordance with GAAP, excluding gains or losses from debt restructuring, other non-recurring items and sales of property;
  - plus depreciation of real estate assets; and
  - after adjustments for unconsolidated partnerships and joint ventures.

FFO does not represent cash generated from operating activities in accordance with GAAP. Therefore it should not be considered as an alternative to net income or as an indication of performance. FFO should also not be considered an alternative to net cash flows from operating activities as determined by generally accepted accounting principles as a measure of liquidity. Additionally, it is not necessarily indicative of

cash available to fund cash needs. Further, FFO as calculated by other REITs may not be comparable to our calculation of FFO. The calculation of FFO for the periods presented is reflected in the following table:

<TABLE>  
<CAPTION>

	Company (1)				
	Years ended				
	12-31-99	12-31-98	12-31-97	12-31-96	12-31-95
Net income available to common stockholders	\$ 132,497	\$ 95,403	\$ 45,260	\$ 41,229	\$ 30,937
Depreciation (real estate related)	107,928	75,614	27,360	18,566	14,468
Joint venture adjustments	751	725	399	321	316
Minority interest	1,975	1,770	--	--	--
Gain on sale of communities	(47,093)	(25,270)	(677)	(7,850)	--
Non-recurring items (5)	16,782	--	--	--	--
Extraordinary items	--	245	1,183	2,356	1,158
Funds from Operations	\$ 212,840	\$ 148,487	\$ 73,525	\$ 54,622	\$ 46,879

Net cash provided by operating activities 56,314	\$ 250,066	\$ 193,478	\$ 93,649	\$ 65,841	\$
Net cash used in investing activities (189,582)	\$ (264,619)	\$ (617,685)	\$ (421,420)	\$ (261,033)	\$
Net cash provided by financing activities 132,207	\$ 13,284	\$ 426,375	\$ 320,252	\$ 207,632	\$
Weighted average common shares and units outstanding - diluted 21,828,020	66,110,664	51,771,247	28,431,823	23,691,447	

</TABLE>

(4) These amounts include communities only after stabilized occupancy has occurred. We consider a community to have achieved stabilized occupancy on the earlier of (i) the first day of any month in which the community reaches 95% physical occupancy or (ii) one year after completion of construction or reconstruction. These amounts also include joint venture investments.

(5) Year to date consists of \$16,076 related to management and other organizational changes and \$706 for Y2K compliance costs.

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

##### Forward-Looking Statements

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

- the timing and cost of completion of apartment communities under construction, reconstruction, development or redevelopment;
- the timing of lease-up and occupancy of apartment communities; the pursuit of land on which we are considering future development;
- cost, yield and earnings estimates;
- the development, implementation and use of management information systems.

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. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. These risks, uncertainties and other factors may cause our actual results, performance or achievements to differ materially from the anticipated future results, performance or achievements expressed or implied by these forward-looking statements. Some of the factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements include, but are not limited to, the following:

- we may be unsuccessful in managing our current growth in the number of apartment communities and the related growth of our business operations;
- our previous or possible future expansion into new geographic market areas may not produce financial results that are consistent with our historical performance;
- we may fail to secure development opportunities due to an inability to reach agreements with third parties or to obtain desired zoning and other local approvals;
- we may abandon development opportunities for a number of reasons, including changes in local market conditions which make development less desirable, increases in costs of development and increases in the cost of capital;

- 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 expense, construction costs and reduced rental revenues;
- occupancy rates and market rents may be adversely affected by local economic and market conditions which are beyond our control;
- financing may not be available on favorable terms and our cash flow from operations and access to cost effective capital may be insufficient for the development of our pipeline and could limit our pursuit of opportunities;
- our cash flow may be insufficient to meet required payments of principal and interest, and we may be unable to refinance existing indebtedness or the terms of such refinancing may not be as favorable as the terms of existing indebtedness;
- the development, implementation and use of new management information systems may cost more than anticipated or may be delayed for a number of reasons, including unforeseen technological or integration issues.

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You should read our consolidated financial statements and notes for the year ended December 31, 1999 included in this report in conjunction with the following discussion. These forward-looking statements represent our estimates and assumptions only as of the date of this report. We do not undertake to update these forward-looking statements, and you should not rely upon them after the date of this report.

#### Business Description and Community Information

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

AvalonBay is the surviving corporation from the merger of Avalon Properties, Inc. with and into Bay Apartment Communities, Inc. Prior to December 31, 1999, we accounted for the merger under the purchase method of accounting, using the historical financial statements of Bay prior to and after the merger. Based on discussions with the Securities and Exchange Commission, we agreed to revise our financial presentation as of and for the years ended December 31, 1998 and 1997 to present the merger whereby the historical financial statements for Avalon are presented prior to the merger. At that time, Avalon ceased to legally exist, and Bay as the surviving legal entity adopted the historical financial statements of Avalon, with Bay's assets recorded in the historical financial statements of Avalon at an amount equal to Bay's debt outstanding at that time plus the value of capital stock retained by the Bay stockholders, which approximates fair value.

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

- acquisition;
- development and redevelopment;
- construction and reconstruction;
- financing;
- marketing;
- leasing and management; and
- information technologies.

With our expertise and in-house capabilities, we believe we are well-positioned to continue to pursue opportunities to develop and acquire upscale apartment homes in our target markets. Our ability to pursue attractive opportunities, however, may be constrained by capital market conditions that limit the availability of cost effective capital to finance these activities. We limited our acquisition activity in 1999 as compared to prior years due to these capital constraints, and we expect to direct most of our invested capital to new developments and redevelopments for the foreseeable future.

We believe apartment communities present an attractive investment opportunity compared to other real estate investments because a broad potential resident base results in relatively stable demand during all phases of a real estate cycle. We intend to pursue appropriate new investments, including both new developments and acquisitions of communities, in markets where constraints to new supply exist and where new household formations have out-paced multifamily

permit activity in recent years.

Our real estate investments as of March 1, 2000 consist primarily of stabilized operating apartment communities as well as communities in various stages of the development and redevelopment cycle and land or land options held for development. We classify these investments into the following categories:

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<u>&lt;S&gt;</u>	<u>Number of communities</u>	<u>Number of apartment homes</u>
<u>&lt;S&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>
Current Communities	121	35,648
-----		
Stabilized Communities	117	34,193
Established Communities:	63	17,706
Northern California	25	6,461
Southern California	3	600
Mid-Atlantic	18	5,259
Northeast	16	4,888
Midwest	1	498
Other Stabilized Communities:	54	16,487
Northern California	10	2,988
Southern California	13	4,476
Mid-Atlantic	4	1,240
Northeast	16	5,111
Midwest	7	1,717
Pacific Northwest	4	955
Lease-Up Communities	-	-
Redevelopment Communities	4	1,455
Development Communities	12	3,173
-----		
Development Rights	30	8,624 (*)
-----		

</TABLE>

(\*) Represents an estimate

Current Communities are apartment communities that have been completed and have reached occupancy of at least 95%, have been complete for one year, are in the initial lease-up process or are under redevelopment. Current Communities consist of the following:

Stabilized Communities. Represents all Current Communities that have completed initial lease-up by attaining physical occupancy levels of at least 95% or have been completed for one year, whichever occurs earlier. Stabilized Communities are categorized as either Established Communities or Other Stabilized Communities.

- Established Communities. Represents all Stabilized Communities owned by Avalon and, on a pro forma basis, those owned by Bay as of January 1, 1998, with stabilized operating costs as of January 1, 1998 such that a comparison of 1998 operating results to 1999 operating results is meaningful. Each of the Established Communities falls into one of the following six geographic areas: Northern California, Southern California, Mid-Atlantic, Northeast, Midwest and Pacific Northwest regions. At December 31, 1999, there were no Established Communities in the Pacific Northwest. When used in connection with a comparison of 1998 and 1997 results, the term "Established Communities" refers to communities that were stabilized as of January 1, 1997.

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- Other Stabilized Communities. Represents Stabilized Communities as defined above, but which became stabilized or were acquired after January 1, 1998.

Lease-Up Communities. Represents all communities where construction

has been complete for less than one year and where occupancy has not reached at least 95%.

Redevelopment Communities. Represents all communities where substantial redevelopment has begun. Redevelopment is considered substantial when capital invested during the reconstruction effort exceeds the lesser of \$5 million or 10% of the community's acquisition cost.

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

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

Of the Current Communities as of March 1, 2000, we own:

- a fee simple, or absolute, ownership interest in 106 operating communities, one of which is on land subject to a 149 year land lease;
- a general partnership interest in five partnerships that in the aggregate hold a fee simple interest in five other operating communities;
- a general partnership interest in four partnerships structured as "DownREITs," as described more fully below, that own an aggregate of nine communities; and
- a 100% interest in a senior participating mortgage note secured by one community, which allows us to share in part of the rental income or resale proceeds of the community.

We also hold a fee simple ownership interest in 11 of the Development Communities and a membership interest in a limited liability company that holds a fee simple interest in one Development Community.

In each of the four partnerships structured as DownREITs, either AvalonBay or one of our wholly-owned subsidiaries is the general partner, and there are one or more limited partners whose interest in the partnership is represented by units of limited partnership interest. For each DownREIT partnership, limited partners are entitled to receive distributions before any distribution is made to the general partner. Although the partnership agreements for each of the DownREITs are different, generally the distributions paid to the holders of units of limited partnership interests approximate the current AvalonBay common stock dividend rate. Each DownREIT partnership has been structured so that it is unlikely the limited partners will be entitled to a distribution greater than the initial distribution provided for in the partnership agreement. The holders of units of limited partnership interest have the right to present each unit of limited partnership interest for redemption for cash equal to the fair market value of a share of AvalonBay common stock on the date of redemption. In lieu of a cash redemption of a unit, we may elect to acquire any unit presented for redemption for one share of our common stock. As of December 31, 1999, there were 973,870 units outstanding. The DownREIT partnerships are consolidated for financial reporting purposes.

At December 31, 1999, we had positioned our portfolio of Stabilized Communities, excluding communities owned by unconsolidated joint ventures, to an average physical occupancy level of 96.7%. Our strategy is to maximize total rental revenue through management of rental rates and occupancy levels. Our strategy of

maximizing total rental revenue could lead to lower occupancy levels. Given the current high occupancy level of our portfolio, we believe that any rental revenue and net income gains from our Established Communities would be achieved primarily through higher rental rates and the lower average operating costs per apartment home that result from economies of scale due to national and regional growth of our portfolio.

We elected to be taxed as a REIT for federal income tax purposes for the year ended December 31, 1994 and we have not revoked that election. We were incorporated under the laws of the State of California in 1978, and we were reincorporated in the State of Maryland in July 1995. Our principal executive offices are located at 2900 Eisenhower Avenue, Suite 300, Alexandria, Virginia, 22314, and our telephone number at that location is (703) 329-6300. We also maintain regional offices and administrative or specialty offices in or near the following cities:

- San Jose, California;
- Wilton, Connecticut;
- Boston, Massachusetts;
- Chicago, Illinois;



- Los Angeles, California;
- Minneapolis, Minnesota;
- Newport Beach, California;
- New York, New York;
- Princeton, New Jersey; and
- Seattle, Washington.

#### Recent Developments

Sales of Existing Communities. During 1998, we completed a strategic planning effort that resulted in our decision to increase our geographical concentration in selected high barrier-to-entry markets where we believe we can:

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

To effect this increased concentration, we adopted an aggressive capital redeployment strategy and are selling assets in markets where our current presence is limited. We intend to redeploy the proceeds from sales to develop and redevelop communities currently under construction or reconstruction. Pending such redeployment, the proceeds from the sale of these communities will be used to repay amounts outstanding under our variable rate unsecured credit facility. Accordingly, we sold seven communities with an aggregate of 2,039 apartment homes in connection with our capital redeployment strategy in 1998. The net proceeds from these sales totaled \$73,900,000. In 1999, we sold 16 communities with an aggregate of 4,464 apartment homes. Net proceeds from these sales totaled \$255,618,000. In addition, during 1999 we sold a participating mortgage note secured by an apartment home community for net proceeds of \$25,300,000. Since January 1, 2000, we have sold one additional community containing 360 apartment homes in connection with our capital redeployment strategy. The net proceeds from the sale of this community were approximately \$29,325,000. We intend to dispose of additional assets as described more fully under "Future Financing and Capital Needs."

Development, Redevelopment and Acquisition Activities. We began the development of eight new communities during 1999. These communities are expected to contain a total of 2,246 apartment homes upon completion, and the total investment, including land acquisition costs, is projected to be approximately \$366,100,000. Also, we completed the development of ten new communities containing a total of 2,335 apartment homes for a total investment of \$391,600,000.

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We also acquired three land parcels during 1999 on which construction has not yet commenced. We expect to develop three new communities containing a total of 878 apartment homes on these parcels. The total investment in these communities, including land acquisition costs of \$22,078,000, is projected to be approximately \$111,300,000.

We completed the redevelopment of thirteen communities during 1999 for a total investment in redevelopment (i.e. excluding acquisition costs) of \$77,300,000.

We acquired one community, containing 224 apartment homes, during 1999 for approximately \$25,750,000, including 117,178 units of limited partnership in a DownREIT partnership valued at \$4,614,000. We acquired this community in connection with a forward purchase agreement signed in 1997 with an unaffiliated party.

The development and redevelopment of communities involves risks that the investment will fail to perform in accordance with expectations. See "Risks of Development and Redevelopment" in Part I of this Form 10-K for our discussion of these and other risks inherent in developing or redeveloping communities.

#### Results of Operations

Historically, the changes in our operating results from period-to-period have been primarily the result of increases in the number of apartment homes owned. Where appropriate, period-to-period comparisons of the number of occupied apartment homes are made on a weighted average basis to adjust for changes in the number of apartment homes during the period. For Stabilized Communities, excluding communities owned by unconsolidated joint ventures, all occupied apartment homes are included in the calculation of weighted average occupied apartment homes for each reporting period. For communities in the initial lease-up phase, only apartment homes of communities that are completed and occupied are included in the weighted average number of occupied apartment homes calculation for each reporting period.

A comparison of our operating results for the years ended December 31, 1999 and December 31, 1998 as well as a comparison of our operating results for the years ended December 31, 1998 and December 31, 1997 follows.

COMPARISON OF YEAR ENDED DECEMBER 31, 1999 TO YEAR ENDED DECEMBER 31, 1998

Net income available to common stockholders increased \$37,094,000 (38.9%) to \$132,497,000 for the year ended December 31, 1999 compared to \$95,403,000 for the preceding year. Excluding non-recurring charges, gain on sale of communities and extraordinary items, net income available to common stockholders increased by \$31,808,000 for the year ended December 31, 1999 compared to the preceding year. The increase in net income, as adjusted, for the year ended December 31, 1999 is primarily attributable to additional operating income from additional communities attributable to the merger. Additional operating income from newly developed or redeveloped communities and growth in operating income from Established Communities also contributed to the increase in net income.

Rental income increased \$133,187,000 (36.0%) to \$503,132,000 for the year ended December 31, 1999 compared to \$369,945,000 for the preceding year. The increase is primarily attributable to additional revenue from additional communities attributable to the merger and secondarily to newly developed and redeveloped communities, partially offset by the sale of communities in 1998 and 1999.

Overall Portfolio - The \$133,187,000 increase in rental income is primarily due to increases in the weighted average number of occupied apartment homes as well as an increase in the weighted average monthly rental income per occupied apartment home. The weighted average number of occupied apartment homes increased from 28,333 apartment homes for the year ended December 31, 1998 to 33,726 apartment homes for the year ended December 31, 1999 primarily as a result

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of the additional apartment homes from additional communities attributable to the merger being part of the portfolio for all of 1999 and the development, redevelopment and acquisition of new communities, offset by the sale of communities in 1998 and 1999. For the year ended December 31, 1999, the weighted average monthly revenue per occupied apartment home increased \$160 (14.8%) to \$1,242 compared to \$1,082 for the preceding year, which is primarily attributable to the development of new upscale apartment communities in premium locations, the sale of communities with lower average rents as well as the merger. These apartment communities were funded in part from the proceeds of communities sold in markets where rental rates are lower.

Established Communities, on a pro forma basis, assuming the merger had occurred on January 1, 1998 - Rental revenue increased \$10,114,000 (4.1%) for the year ended December 31, 1999 compared to the preceding year. The increase is due to market conditions that allowed for higher average rents that were partially offset by lower economic occupancy levels. For the year ended December 31, 1999, weighted average monthly revenue per occupied apartment home increased \$52 (4.4%) to \$1,226 compared to \$1,174 for the preceding year. The average economic occupancy decreased from 96.9% for the year ended December 31, 1998 to 96.6% for the year ended December 31, 1999. Regions showing occupancy gains include the Mid-Atlantic, with an increase from 96.8% for the year ended December 31, 1998 to 97.1% for the year ended December 31, 1999, and the Midwest, with an increase from 97.1% for the year ended December 31, 1998 to 97.2% for the year ended December 31, 1999. Occupancy decreased in Northern California from 97.1% for the year ended December 31, 1998 to 96.2% for the year ended December 31, 1999 primarily due to softening in sub-markets dependent on Silicon Valley employment.

Management fees decreased \$201,000 to \$1,176,000 for the year ended December 31, 1999 compared to \$1,377,000 for the preceding year. Management fees represent revenue from third-party contracts. We anticipate that management and development fees will increase over the next several years due to the receipt of fees pursuant to joint venture arrangements.

Operating expenses, excluding property taxes increased \$29,826,000 (28.6%) to \$134,172,000 for the year ended December 31, 1999 compared to \$104,346,000 for the preceding year.

Overall Portfolio - The increase for the year ended December 31, 1999 is primarily due to additional operating expenses from additional communities attributable to the merger and secondarily due to the addition of newly developed, redeveloped and acquired apartment homes, partially offset by the sale of communities in 1998 and 1999. Maintenance, insurance and other costs associated with Development and Redevelopment Communities are expensed as communities move from the initial construction and lease-up phase to the stabilized operating phase.

Established Communities, on a pro forma basis, assuming the merger had occurred on January 1, 1998 - Operating expenses increased \$1,821,000 (3.7%) to \$50,912,000 for the year ended December 31, 1999 compared to \$49,091,000 for the preceding year. The net changes are the result of

higher redeccorating, maintenance, payroll and administrative costs offset by lower utility, marketing, and insurance costs.

Property taxes increased \$10,926,000 (34.4%) to \$42,701,000 for the year ended December 31, 1999 compared to \$31,775,000 for the preceding year.

Overall Portfolio - The increase for the year ended December 31, 1999 is primarily due to additional expenses from additional communities attributable to the merger and secondarily due to the addition of newly developed, redeveloped or acquired apartment homes, partially offset by the sale of communities in 1998 and 1999. Property taxes on Development and Redevelopment

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

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

Interest expense increased \$20,049,000 (36.7%) to \$74,699,000 for the year ended December 31, 1999 compared to \$54,650,000 for the preceding year. The increase is primarily attributable to approximately \$600 million of debt assumed in connection with the merger and the issuance of \$625,000,000 of unsecured notes during 1999 and 1998, offset by an increase in capitalized interest.

Depreciation and amortization increased \$32,385,000 (41.9%) to \$109,759,000 for the year ended December 31, 1999 compared to \$77,374,000 for the preceding year. The increase is attributable primarily to additional expense from additional communities attributable to the merger and secondarily to newly developed and redeveloped communities, partially offset by the sale of communities in 1998 and 1999.

General and administrative increased \$378,000 (4.1%) to \$9,502,000 for the year ended December 31, 1999 compared to \$9,124,000 for the preceding year. The increase is impacted by additional overhead from the combination of the two companies and related organizational structures, partially offset by a reorganization in February 1999 that reduced the management structure of the merged company.

Equity in income of unconsolidated joint ventures increased \$229,000 (8.7%) to \$2,867,000 for the year ended December 31, 1999 compared to \$2,638,000 for the preceding year. Equity in income of unconsolidated joint ventures represents our share of income from joint ventures.

Interest income increased \$3,854,000 (109.9%) to \$7,362,000 for the year ended December 31, 1999 compared to \$3,508,000 for the preceding year. These increases are primarily from an increase in interest from participating mortgage notes, including the Fairlane Woods participating mortgage note acquired in the third quarter of 1998. The Fairlane Woods promissory note was sold in the fourth quarter of 1999.

Gain on sale of communities increased \$21,823,000 to \$47,093,000 for the year ended December 31, 1999 compared to \$25,270,000 for the preceding year. The increase is due to an increase in the number of communities sold during 1999 as compared to 1998 as a result of the disposition strategy we implemented in the third quarter of 1998.

#### COMPARISON OF YEAR ENDED DECEMBER 31, 1998 TO YEAR ENDED DECEMBER 31, 1997

Net income available to common stockholders increased \$50,143,000 (110.8%) to \$95,403,000 for the year ended December 31, 1998 compared to \$45,260,000 for the preceding year. Excluding gain on sale of communities and extraordinary items, net income available to common stockholders increased by \$24,612,000 (53.8%) for the year ended December 31, 1998 compared to the preceding year. The increase in net income, as adjusted, for the year ended December 31, 1998 is attributable primarily to gains from increased community sales, additional operating income from additional communities attributable to the merger, and additional operating income from communities developed, redeveloped or acquired during 1998 and 1997 as well as growth in operating income from Established Communities.

Rental income increased \$200,503,000 (118.3%) to \$369,945,000 for the year ended December 31, 1998 compared to \$169,442,000 for the preceding year. The increase is attributable primarily to additional revenue from additional communities attributable to the merger and secondarily to developed, redeveloped and acquired communities in 1998 and 1997.

Overall Portfolio - The \$200,503,000 increase in rental income is primarily due to increases in the weighted average number of occupied apartment homes as well as an increase in the weighted average monthly rental income per occupied apartment home. The weighted average number of occupied apartment homes increased from 13,949 apartment homes for the year ended December 31, 1997 to 28,333 apartment homes for the year ended December 31, 1998 primarily as a result of additional apartment homes from additional communities attributable to the merger, as well as the development, redevelopment and acquisition of new communities. For the year ended December 31, 1998, the weighted average monthly revenue per occupied apartment home increased \$74 (7.3%) to \$1,082 compared to \$1,008 for the preceding year.

Established Communities, on a pro forma basis, assuming the merger had occurred on January 1, 1997 - Rental revenue increased \$11,318,000 (6.2%) for the year ended December 31, 1998 compared to the preceding year. The increase is due to market conditions that allowed for higher average rents, with relatively stable economic occupancy levels. For the year ended December 31, 1998, weighted average monthly revenue per occupied apartment home increased \$61 (6.2%) to \$1,048 compared to \$987 for the preceding year. Beginning in October 1998, the Northern California sub-markets that are primarily dependent on Silicon Valley employment softened. These sub-markets have experienced reduced rental rate growth and occupancy declines as compared to other Northern California sub-markets and our other markets as a whole.

Management fees increased \$348,000 (33.8%) to \$1,377,000 for the year ended December 31, 1998 compared to \$1,029,000 for the preceding year. Management fees represent revenue from third-party contracts. The increase is primarily due to certain third-party management contracts acquired in connection with the purchase of a portfolio of assets in December 1997.

Operating expenses, excluding property taxes increased \$57,067,000 (120.7%) to \$104,346,000 for the year ended December 31, 1998 compared to \$47,279,000 for the preceding year.

Overall Portfolio - The increase for the year ended December 31, 1998 is primarily due to additional operating expenses from additional communities attributable to the merger and secondarily due to the addition of newly developed, redeveloped and acquired apartment homes. Maintenance, insurance and other costs associated with Development and Redevelopment Communities are expensed as communities move from the initial construction and lease-up phase to the stabilized operating phase.

Established Communities, on a pro forma basis, assuming the merger had occurred on January 1, 1997 - Operating expenses increased \$1,711,000 (4.2%) to \$42,395,000 for the year ended December 31, 1998 compared to \$40,684,000 for the preceding year. The net changes are the result of higher payroll and maintenance costs, offset by lower utility, administrative and insurance costs. Lower insurance costs are directly attributable to better pricing and risk sharing provided by the merger.

Property taxes increased \$17,346,000 (120.2%) to \$31,775,000 for the year ended December 31, 1998 compared to \$14,429,000 for the preceding year.

Overall Portfolio - The increase for the year ended December 31, 1998 is primarily due to additional expense from additional communities attributable to the merger and secondarily to the addition of newly developed, redeveloped or acquired apartment homes. Property taxes on Development and Redevelopment Communities are expensed as communities move from the initial construction and lease-up phase to the stabilized operating phase.

Established Communities, on a pro forma basis, assuming the merger had occurred on January 1, 1997 - Property taxes increased \$535,000 (3.6%) to \$15,265,000 for the year ended December 31, 1998 compared to \$14,730,000 for the preceding year. The increase is primarily the result of

increased assessments of property values and increased property tax rates on the Mid-Atlantic, Northeast and Midwest communities as well as lower than estimated property tax assessments for our Northern and Southern California communities that resulted in a reduction in 1997 of previously accrued expenses.

Interest expense increased \$37,673,000 (221.9%) to \$54,650,000 for the year ended December 31, 1998 compared to \$16,977,000 for the preceding year. The increase is primarily attributable to \$600 million of debt assumed in connection with the merger and secondarily to the issuance of unsecured notes in 1998 and 1997.

Depreciation and amortization increased \$48,261,000 (165.8%) to \$77,374,000 for the year ended December 31, 1998 compared to \$29,113,000 for the preceding year. The increase is primarily attributable to additional expense from additional communities attributable to the merger and secondarily to developed, redeveloped and acquired communities in 1998 and 1997.

General and administrative increased \$4,031,000 (79.1%) to \$9,124,000 for the year ended December 31, 1998 compared to \$5,093,000 for the preceding year. The increase is primarily due to the combination of the two companies and related increase in portfolio size.

Equity in income of unconsolidated joint ventures decreased \$3,051,000 (53.6%) to \$2,638,000 for the year ended December 31, 1998 compared to \$5,689,000 for the preceding year. Equity in income of unconsolidated joint ventures represents our share of income from joint ventures. The decrease is primarily due to non-recurring income from the Avalon Grove joint venture in which we were allocated 100% of the lease-up period income prior to the formation of the partnership in December 1997.

Interest income increased \$2,162,000 (160.6%) to \$3,508,000 for the year ended December 31, 1998 compared to \$1,346,000 for the preceding year. The increase is primarily due to an increase in interest from participating mortgage notes, including the Fairlane Woods promissory note acquired in August 1998.

Gain on sale of communities increased \$24,593,000 to \$25,270,000 for the year ended December 31, 1999 compared to \$677,000 for the preceding year. The increase in the gain on sale of communities is a result of the disposition strategy we implemented in the third quarter of 1998.

#### Capitalization of Fixed Assets and Community Improvements

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

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

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

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

We capitalize purchases of personal property, such as computers and furniture, only if the item is a new addition and the item exceeds \$2,500. We generally expense purchases of personal property made for

replacement purposes. The application of these policies for the year ended December 31, 1999 resulted in non-revenue generating capitalized expenditures for Stabilized Communities of approximately \$207 per apartment home. For the year ended December 31, 1999, we charged to maintenance expense, including carpet and appliance replacements, a total of approximately \$32,411,000 for Stabilized Communities or \$1,213 per apartment home. We anticipate that capitalized costs per apartment home will gradually rise as the average age of our communities increases.

#### Liquidity and Capital Resources

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

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

The timing, source and amount of cash flows provided by financing activities and used in investing activities are sensitive to the capital markets environment,

particularly to changes in interest rates that are charged to us as changes in interest rates affect our decision as to whether to issue debt securities, borrow money and invest in real estate. Thus, changes in the capital markets environment will affect our plans for the undertaking of construction and development as well as acquisition activity.

Cash and cash equivalents decreased from \$8,890,000 at December 31, 1998 to \$7,621,000 at December 31, 1999 due to the excess of cash used in investing and financing activities over cash provided by operating activities.

Net cash provided by operating activities increased by \$56,588,000 from \$193,478,000 for the year ended December 31, 1998 to \$250,066,000 for the year ended December 31, 1999. The increase is primarily from additional operating cash flow from additional communities attributable to the merger, which were part of our portfolio for all of 1999 and the development, redevelopment and acquisition of new communities, offset by the loss of cash flow from communities sold in 1998 and 1999.

Net cash used in investing activities decreased by \$353,066,000 from \$617,685,000 for the year ended December 31, 1998 to \$264,619,000 for the year ended December 31, 1999. This decrease in expenditures reflects increased sales of communities and decreased acquisitions, offset by increased construction and reconstruction activity. The decrease in acquisitions is attributable to a shift in our investment focus away from acquisitions and towards development opportunities that offer higher projected yields, primarily in response to the lack of available properties that meet our increased yield requirements combined with a decrease in the availability of cost-effective capital.

Net cash provided by financing activities decreased by \$413,091,000 from \$426,375,000 for the year ended December 31, 1998 to \$13,284,000 for the year ended December 31, 1999. The decrease is primarily due to our development activities increasingly being funded through the sale of existing communities as opposed to incurring debt or selling equity, which reflects a reduction in our use of debt financing as opposed to other sources of financing in response to market conditions. Also, dividends paid increased as a result of additional common and preferred shares issued in connection with the merger.

Cash and cash equivalents increased from \$6,722,000 at December 31, 1997 to \$8,890,000 at December 31, 1998 due to the excess of cash provided by financing and operating activities over cash flow used in investing activities.

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Net cash provided by operating activities increased by \$99,829,000 from \$93,649,000 for the year ended December 31, 1997 to \$193,478,000 for the year ended December 31, 1998 primarily due to an increase in operating income from additional communities attributable to the merger as well as increased operating income from existing communities.

Net cash used in investing activities increased \$196,265,000 from \$421,420,000 for the year ended December 31, 1997 to \$617,685,000 for the year ended December 31, 1998. This increase primarily reflects increased construction and reconstruction activity, offset by community sales.

Net cash provided by financing activities increased by \$106,123,000 from \$320,252,000 for the year ended December 31, 1997 to \$426,375,000 for the year ended December 31, 1998 primarily due to an increase in our use of debt financing as opposed to other sources of financing to fund acquisitions and construction and reconstruction activity. The increase is also offset by an increase in dividends paid as a result of additional common and preferred shares issued in connection with the merger.

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

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

We anticipate that we can fully satisfy these needs from a combination of cash flows provided by operating activities and capacity under the unsecured facility. We anticipate that we can satisfy any short-term liquidity needs not

satisfied by current operating cash flows from our unsecured revolving credit facility.

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

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Capital Resources. We intend to match the long-term nature of our real estate assets with long-term cost effective capital to the extent permitted by prevailing market conditions. We have raised approximately \$950 million, on a pro forma basis to reflect the merger, in capital markets offerings since January 1998. The following table summarizes capital market activity for both Avalon and the Company since January 1, 1998:

<S>	Date	Company	Description of Offerings
	January 1998	Avalon	\$100 million unsecured notes offering
	January 1998	Avalon	\$26.9 million direct placement of common stock to an institutional investor
	January 1998	Bay	\$150 million unsecured notes offering
	April 1998	Bay	\$46.5 million public offering of Common Stock
	July 1998	AvalonBay	\$250 million unsecured notes offering
	October 1998	AvalonBay	\$100 million public offering of Series H Cumulative Redeemable Preferred Stock
	January 1999	AvalonBay	\$125 million medium term notes offering
	July 1999	AvalonBay	\$150 million medium term notes offering

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

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

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

Capital markets conditions have decreased our access to cost effective capital. See "Future Financing and Capital Needs" for a discussion of our response to the current capital markets environment.

The following is a discussion of specific capital transactions, arrangements and agreements.

#### Unsecured Facility

Our unsecured revolving credit facility is furnished by a consortium of banks and provides \$600,000,000 in short-term credit. We pay these banks an annual facility fee of \$900,000 in equal quarterly installments. The unsecured facility bears interest at varying levels tied to the London Interbank Offered Rate (LIBOR)

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based on ratings levels achieved on our unsecured notes and on a maturity selected by us. The current stated pricing is LIBOR plus 0.6% per annum. The unsecured facility matures in July 2001, however we have two one-year extension options. Therefore, subject to certain conditions, we may extend the maturity to July 2003. A competitive bid option is available for borrowings of up to \$400,000,000. This option allows banks that are part of the lender consortium to bid to provide us loans at a rate that is lower than the stated pricing provided by the unsecured facility. The competitive bid option may result in lower pricing if market conditions allow. Pricing under the competitive bid option resulted in average pricing of LIBOR plus .50% for balances most recently placed under the competitive bid option. At March 1, 2000, \$203,500,000 was outstanding, \$75,481,000 was used to provide letters of credit and \$321,019,000 was available for borrowing under the unsecured facility. We intend to use borrowings under the unsecured facility for:

- capital expenditures;
- construction, development and redevelopment costs;
- acquisitions of developed or undeveloped communities;
- credit enhancement for tax-exempt bonds; and
- working capital purposes.

#### Interest Rate Protection Agreements

We are not a party to any long-term interest rate agreements, other than interest rate protection and swap agreements on approximately \$190 million of our variable rate tax-exempt indebtedness. We intend, however, to evaluate the need for long-term interest rate protection agreements as interest rate market conditions dictate, and we have engaged a consultant to assist in managing our interest rate risks and exposure.

#### Financing Commitments/Transactions Completed

In January 1999, we issued \$125,000,000 of medium-term unsecured notes bearing interest at 6.58% and maturing in February 2004. Semi-annual interest payments are payable on February 15 and August 15. The net proceeds of approximately \$124,000,000 were used to repay amounts outstanding under our unsecured facility.

In July 1999, we issued \$150,000,000 of unsecured notes bearing interest at 7.50% and maturing in August 2009. Semi-annual interest payments are payable on February 1 and August 1. The net proceeds of approximately \$148,400,000 were used to repay amounts outstanding under our unsecured facility.

In October 1999, we completed a refinancing of approximately \$18,755,000 of variable rate tax-exempt bonds. The bonds have a maturity date of May 1, 2026, are fully amortizing and are credit enhanced by the Federal National Mortgage Association (Fannie Mae).

During January 2000, the Company entered into a joint venture agreement with an entity controlled by Multi-Employer Development Partners (MEDP) to develop Avalon on the Sound, a 412 apartment high rise community in New Rochelle, New York, with total capitalized costs estimated to be \$93,300,000. The terms of the limited liability company operating agreement contemplate a long-term capital structure comprised of 60% equity and 40% debt. Equity contributions will be funded 25% by AvalonBay and 75% by MEDP. Construction financing that converts to long-term financing following completion of construction will provide the debt capital. Operating cash flow will be distributed 25% to AvalonBay and 75% to MEDP until each receives a 9% return on invested capital. Thereafter, operating cash flow will be distributed equally to AvalonBay and MEDP. Upon a sale to a third party, cash is distributed first to each partner until capital contributions are recovered. Thereafter, sales proceeds are distributed based upon achievement of certain internal rate of return levels. Distributions that result in an internal rate of return to MEDP and the Company of 12-15% are made 40% to AvalonBay and 60% to MEDP. Thereafter, sales proceeds are distributed equally to AvalonBay and MEDP. After three years following completion of



construction, buy-sell provisions are in effect. AvalonBay will receive construction, development and management fees for services rendered to the joint venture.

#### Registration Statements Filed in Connection with Financings

On August 18, 1998, we filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission relating to the sale of up to \$750,000,000 of securities. The registration statement provides for the issuance of common stock, preferred stock and debt securities.

#### Future Financing and Capital Needs

As of December 31, 1999, we had 21 new communities under construction either by us or by unaffiliated third parties with whom we have entered into forward purchase commitments. As of December 31, 1999, a total estimated cost of \$295,071,000 remained to be invested in these communities. In addition, we had four other communities under reconstruction, for which an estimated \$71,209,000 remained to be invested as of December 31, 1999.

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

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

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

We have observed and been impacted by a reduction in the availability of cost effective capital beginning in the third quarter of 1998. We cannot assure you that cost effective capital will be available to meet future expenditures required to begin planned reconstruction activity or the construction of the Development Rights. Before planned reconstruction activity or the construction of a Development Right begins, we intend to arrange adequate capital sources to complete these undertakings, although we cannot assure you that we will be able to obtain such financing. In the event that financing cannot be obtained, we may have to abandon Development Rights, write-off associated pursuit costs and forego reconstruction activity; in such event, we will not realize the increased revenues and earnings that we expected from such pursuits, and the related write-off of costs will increase current period expenses and reduce FFO.

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

During 1998, the Company determined that it would pursue a disposition strategy for certain assets in markets that did not meet its long-term strategic direction. Under this program, we solicit competing bids from unrelated parties for these individual assets, and consider the sales price and tax ramifications of each proposal. In connection with this disposition program, we disposed of seven communities in 1998 for aggregate net proceeds of approximately \$73,900,000. We have disposed of an additional 17 communities and a participating mortgage note since January 1, 1999. The net proceeds from the sale of these assets

were approximately \$310,243,000. We intend to actively seek buyers for the remaining communities held for sale. However, we cannot assure you that these assets can be sold on terms that we consider satisfactory.

The remaining assets that we have identified for disposition include land, buildings and improvements and furniture, fixtures and equipment. Total real estate, net of accumulated depreciation, of all communities identified for sale at December 31, 1999 totaled \$164,758,000. Certain individual assets are secured by mortgage indebtedness which may be assumed by the purchaser or repaid from

our net sales proceeds. Our Consolidated Statements of Operations include net income from the communities held for sale of \$11,361,000 for the year ended December 31, 1999. Our Consolidated Statements of Operations include net income from the communities held for sale for the year ended December 31, 1998 of \$10,262,000, or \$10,724,000 on a pro forma basis assuming the merger had occurred on January 1, 1998.

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

Debt Maturities

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

<TABLE>  
<CAPTION>

(Dollars in thousands)

COMMUNITY	ALL-IN INTEREST RATE (1)	PRINCIPAL MATURITY DATE	BALANCE OUTSTANDING					
			12-31-98	12-31-99	2000	2001	2002	
2003								
-----								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
TAX-EXEMPT BONDS								
FIXED RATE								
684	6.48%	Jun-25	\$ 38,052	\$ 37,535	\$ 554	\$ 594	\$ 637	\$
--	5.88%	Aug-14	33,100	33,100	--	--	--	
308	5.80%	Jun-25	20,496	20,263	250	268	288	
417	7.87%	Mar-12	19,568	19,264	330	357	386	
--	5.88%	Mar-17	18,300	18,300	--	--	--	
310	6.48%	Jun-25	17,261	17,026	251	270	289	
--	5.88%	Nov-07	16,800	16,800	--	--	--	
234	6.48%	Jun-25	13,020	12,843	190	203	218	
--	6.48%	Nov-22	10,162	--	--	--	--	
--	5.88%	Nov-07	9,600	9,600	--	--	--	
--	5.88%	Nov-07	9,580	9,580	--	--	--	
146	6.48%	Jun-25	8,382	8,273	117	126	136	
112	5.50%	Jun-25	7,530	7,445	91	98	105	
397	7.55%	Aug-24	19,085	18,795	330	350	373	
307	6.56%	Feb-25	14,843	14,602	255	271	288	
230	6.95%	Jun-26	13,755	13,580	187	200	214	
--	7.04%	Jul-24	12,360	12,360	--	--	--	
180	7.57%	May-27	11,881	11,756	147	157	169	
--	7.04%	Jul-24	11,550	--	--	--	--	
--	7.06%	Jul-24	9,780	9,780	--	--	--	
65	7.73%	Dec-36	8,681	8,632	53	57	61	
116	6.85%	Jun-26	6,809	6,721	95	101	108	

3,506					330,595	306,255	2,850	3,052	3,272	
VARIABLE RATE										
	Avalon Devonshire			Dec-25	27,305	27,305	--	--	--	
	Avalon at Fairway Hills I			Jun-26	11,500	11,500	--	--	--	
	Laguna Brisas			Mar-09	10,400	10,400	--	--	--	
	Avalon at Hampton I			Jun-26	8,060	--	--	--	--	
	Avalon Ridge			May-26	--	18,755	--	--	--	
					-----	-----	-----	-----	-----	
					57,265	67,960	--	--	--	
CONVENTIONAL LOANS:										
FIXED RATE										
	\$100 Million Unsecured Notes	7.375%		Sep-02	100,000	100,000	--	--	100,000	
	\$100 Million Unsecured Notes	6.625%		Jan-05	100,000	100,000	--	--	--	
	\$110 Million Unsecured Notes	6.875%		Dec-07	110,000	110,000	--	--	--	
	\$50 Million Unsecured Notes	6.25%		Jan-03	50,000	50,000	--	--	--	
50,000	\$50 Million Unsecured Notes	6.50%		Jan-05	50,000	50,000	--	--	--	
	\$50 Million Unsecured Notes	6.625%		Jan-08	50,000	50,000	--	--	--	
	\$100 Million Unsecured Notes	6.50%		Jul-03	100,000	100,000	--	--	--	
100,000	\$150 Million Unsecured Notes	6.80%		Jul-06	150,000	150,000	--	--	--	
	\$125 Million Medium Term Notes	6.58%		Feb-04	--	125,000	--	--	--	
	\$150 Million Medium Term Notes	7.50%		Jul-09	--	150,000	--	--	--	
	Governor's Square	7.65%		Aug-04	14,064	13,923	153	165	178	
193	The Arbors	7.25%		May-04	12,870	12,870	--	--	--	
	Gallery Place	7.31%		May-01	11,486	11,272	230	11,042	--	
	Cedar Ridge	6.50%		Jul-99	1,000	--	--	--	--	
	Avalon Walk II	8.93%		Nov-04	12,762	12,541	241	264	288	
315	Avalon Pines	8.00%		Dec-03	5,329	5,226	121	131	142	
4,832					-----	-----	-----	-----	-----	
					767,511	1,040,832	745	11,602	100,608	
155,340	VARIABLE RATE-NONE									
					-----	-----	-----	-----	-----	
TOTAL INDEBTEDNESS - EXCLUDING CREDIT FACILITY					\$1,155,371	\$1,415,047	\$ 3,595	\$ 14,654	\$ 103,880	\$
158,846					=====	=====	=====	=====	=====	

=====  
</TABLE>

<TABLE>  
<CAPTION>

COMMUNITY	-----	
	2004	THEREAFTER
<S>	<C>	<C>
TAX-EXEMPT BONDS		
FIXED RATE		
Canyon Creek	\$ 733	\$ 34,333
Waterford	--	33,100
City Heights	331	18,818
CountryBrook	451	17,323
Villa Mariposa	--	18,300
Sea Ridge	332	15,574
Foxchase I	--	16,800
Barrington Hills	251	11,747

Rivershore	--	--
Foxchase II	--	9,600
Fairway Glen	--	9,580
Crossbrook	157	7,591
Larkspur Canyon	121	6,918
Avalon View	425	16,920
Avalon at Lexington	326	13,155
Avalon Knoll	246	12,503
Avalon at Dulles	--	12,360
Avalon Fields	193	10,910
Avalon at Hampton II	--	--
Avalon at Symphony Glen	--	9,780
Avalon West	70	8,326
Avalon Landing	124	6,177
	-----	-----
	3,760	289,815
VARIABLE RATE		
Avalon Devonshire	--	27,305
Avalon at Fairway Hills I	--	11,500
Laguna Brisas	--	10,400
Avalon at Hampton I	--	--
Avalon Ridge	--	18,755
	-----	-----
	--	67,960
CONVENTIONAL LOANS:		
FIXED RATE		
\$100 Million Unsecured Notes	--	--
\$100 Million Unsecured Notes	--	100,000
\$110 Million Unsecured Notes	--	110,000
\$50 Million Unsecured Notes	--	--
\$50 Million Unsecured Notes	--	50,000
\$50 Million Unsecured Notes	--	50,000
\$100 Million Unsecured Notes	--	--
\$150 Million Unsecured Notes	--	150,000
\$125 Million Medium Term Notes	125,000	--
\$150 Million Medium Term Notes	--	150,000
Governor's Square	13,234	--
The Arbors	12,870	--
Gallery Place	--	--
Cedar Ridge	--	--
Avalon Walk II	11,433	--
Avalon Pines	--	--
	-----	-----
	162,537	610,000
VARIABLE RATE-NONE	--	--
	-----	-----
TOTAL INDEBTEDNESS - EXCLUDING CREDIT FACILITY	\$ 166,297	\$ 967,775
	=====	=====

</TABLE>

(1) Includes credit enhancement fees, facility fees, trustees, etc.

#### Inflation

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

#### Year 2000 Compliance

The Year 2000 compliance issue arose out of concerns that computer systems would be unable to accurately calculate, store or use a date after December 31, 1999. It was widely believed that this inability could result in a system failure causing disruptions of operations or creating erroneous results. The Year

2000 issue affected virtually all companies and organizations, and could have potentially affected both information technology and non-information technology systems.

In the normal course of business, we completed the replacement and upgrade of our existing hardware and software information systems, resulting in Year 2000 compliance. The vendor that provided our previous accounting software has a compliant version of its product, but growth in our operations required a general ledger system with scope and functionality that is not present in either

the system we previously used or the Year 2000 compliant version of that system. Accordingly, we replaced that general ledger system with an enhanced system that provides increased functionality. The implementation of the new general ledger system was completed July 1, 1999, and there have been no apparent effects from the Year 2000 issue. We have not treated the cost of this new system as a Year 2000 expense because the implementation date was not accelerated due to Year 2000 compliance concerns. The cost of the new general ledger system, after considering anticipated efficiencies provided by the new system, has not had a material effect, either beneficial or adverse, on our financial condition or results of operations.

We also took action to ensure the compliance of our non-information embedded systems, such as security, heating and cooling, and fire and elevator systems, at each community. We are not aware of any non-information embedded systems at our communities that have functioned improperly as a result of the Year 2000 issue.

The total costs incurred to become Year 2000 compliant for all potentially affected systems was approximately \$706,000, which was less than our budgeted cost of completion.

We did not delay any information technology or non-information technology projects due to our Year 2000 compliance efforts.

#### Funds from Operations

For the year ended December 31, 1999, FFO increased to \$212,840,000 from \$148,487,000 for the year ended December 31, 1998. FFO for the year ended December 31, 1998 reflects the operating results for Avalon through June 4, 1998 and for the combined company after that date.

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

- net income or loss computed in accordance with GAAP, except that excluded from net income or loss are gains or losses from debt restructuring, other non-recurring items and sales of property;
- plus depreciation of real estate assets; and
- after adjustments for unconsolidated partnerships and joint ventures.

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

For the year ended December 31, 1999, FFO increased to \$212,840,000 from \$148,487,000 for the preceding year. This increase is primarily from additional communities attributable to the merger and secondarily due to the completion of new development and redevelopment communities. Growth in earnings from Established Communities also contributed to the increase.

FFO for the three months and twelve months ended December 31, 1999 and 1998 respectively are summarized as follows, with cash flows from operating, investing and financing activities provided for comparison purposes (dollars in thousands):

<TABLE>  
<CAPTION>

	Years ended	
	12-31-99	12-31-98
<S>	<C>	<C>
Net income available to common stockholders	\$ 132,497	\$ 95,403
Depreciation (real estate assets)	107,928	75,614
Joint venture adjustments	751	725
Minority interest expense	1,975	1,770
Gain on sale of communities	(47,093)	(25,270)
Non-recurring adjustments to net income:		
Non-recurring charges (1)	16,782	--
Extraordinary items	--	245

Funds from Operations available to common stockholders	\$ 212,840	\$ 148,487
Net cash provided by operating activities	\$ 250,066	\$ 193,478
Net cash used in investing activities	\$ (264,619)	\$ (617,685)
Net cash provided by financing activities	\$ 13,284	\$ 426,375
Common shares outstanding	65,758,009	63,887,126
Outstanding units	973,870	894,144
Total outstanding shares and units	66,731,879	64,781,270
Average shares outstanding - basic	65,657,921	51,113,206
Effect of dilutive securities	452,743	658,041
Average shares outstanding - diluted	66,110,664	51,771,247

</TABLE>

- (1) Year to date total consists of \$16,076 related to management and other organizational changes and \$706 for Y2K compliance costs.

#### Management Information Systems

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

We are currently engaged in the development of an innovative on-site property management system and a leasing automation system to enable management to capture, review and analyze data to a greater extent than is possible using existing commercial software. We have entered into a formal joint venture

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agreement, in the form of a limited liability company agreement, with United Dominion Realty Trust, Inc., another public multifamily real estate company, to continue development of these systems and system software, which are collectively referred to in this discussion as the "system." The system development process is currently managed by our employees, who have significant related project management experience, and the employees of the joint venturer. The actual programming and documentation of the system is being conducted by our employees, the employees of our joint venturer and third party consultants under the supervision of these experienced project managers. We currently expect that the total development costs over a three-year period will be approximately \$7.5 million including hardware costs and expenses, the costs of employees and related overhead, and the costs of engaging third party consultants. These development costs will be shared on an equal basis by us and our joint venturer. Once developed, we intend to use the property management system in place of current property management information software for which we pay a license fee to third parties, and we intend to use the leasing automation system to make the lease application process easier for residents and more efficient for us to manage. We currently project that the property management system will undergo an on-site test (i.e., a "beta test") during the third quarter of 2000 and that the system will be functional and implemented during 2001. The leasing automation system is currently in beta testing at two communities.

We believe that when implemented the system will result in cost savings due to increased data reliability and efficiencies in management time and overhead, and that these savings will largely offset the expense associated with amortizing the system development costs and maintaining the software. We also believe that it is possible that other real estate companies may desire to use the system concept and system software that we are developing and that therefore there may be an opportunity to recover, in the future, a portion of our investment by licensing the system to others. However, at the present time these potential cost savings and ancillary revenue are speculative, and we cannot assure that the system will provide sufficient benefits to offset the cost of development

and maintenance.

We have never before engaged in the development of systems or system software on this scale and have never licensed a system concept or system software to others. There are a variety of risks associated with the development of the system, both for internal use and for potential sale or licensing to third parties. Among the principal risks associated with this undertaking are the following:

- we may not be able to maintain the schedule or budget that we have projected for the development and implementation of the system;
- we may be unable to implement the system with the functionality and efficiencies we desire on commercially reasonable terms;
- we may decide not to endeavor to license the system to other enterprises, the system may not be attractive to other enterprises, and we may not be able to effectively manage the licensing of the system to other enterprises; and
- the system may not provide AvalonBay with meaningful cost savings or a meaningful source of ancillary revenues.

The occurrence of any of the events described above could prevent us from achieving increased efficiencies, realizing revenue growth produced by ancillary revenues or recovering our initial investment.

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

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

Our operating results are affected by changes in interest rates as a result of borrowing under our variable rate unsecured credit facility as well as issuing bonds with variable interest rates. If interest rates under the variable rate unsecured credit facility and other variable rate indebtedness had been one percent higher throughout 1999, our annual interest costs would have increased by approximately \$3,300,000, based on balances outstanding during the year ending December 31, 1999. Changes in interest rates also impact the fair value of our fixed rate debt. If the market interest rate applicable to fixed rate indebtedness with maturities similar to our fixed rate indebtedness had been one percent higher, the fair value of our fixed rate indebtedness on December 31, 1999 would have decreased by approximately \$67,000,000, based on balances outstanding at December 31, 1999.

We currently use interest rate swap agreements to reduce the impact of interest rate fluctuations on certain variable rate indebtedness. Under swap agreements, (A) we agree to pay to a counterparty the interest that would have been incurred on a fixed principal amount at a fixed interest rate (generally, the interest rate on a particular treasury bond on the date the agreement is entered into, plus a fixed increment), and (B) the counterparty agrees to pay to us the interest that would have been incurred on the same principal amount at an assumed floating interest rate tied to a particular market index. As of December 31, 1999, the effect of swap agreements is to fix the interest rate on approximately \$190 million of our variable rate tax-exempt debt. The swap agreements were not electively entered into by us but, rather, were a requirement of either the bond issuer or the credit enhancement provider related to certain of our tax-exempt bond financings. In addition, because the counterparties providing the swap agreements are major financial institutions with AAA credit ratings by the Standard & Poor's Ratings Group and the interest rates fixed by the swap agreements are significantly higher than current market rates for such agreements, we do not believe there is exposure at this time to a default by a counterparty provider.

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

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

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

On November 11, 1998, PricewaterhouseCoopers LLP was dismissed and Arthur Andersen LLP was engaged as the principal independent public accountant for the Company. The decision to change accountants was unanimously approved by the Company's Board of Directors.

The report of PricewaterhouseCoopers LLP on the financial statements of the Company for the year ended December 31, 1997 did not contain any adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope, or accounting principles. During the Company's fiscal year ended December 31, 1997, and the subsequent interim period through November 11, 1998, there were no disagreements with PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of PricewaterhouseCoopers LLP, would have caused them to make reference thereto in their report on the financial statements for such year.

During the Company's fiscal year ended December 31, 1997, and the subsequent interim period through November 11, 1998, Arthur Andersen LLP was not engaged as an independent accountant to audit either the Company's financial statements or the financial statements of any of its subsidiaries, nor was it consulted regarding the application of the Company's accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements.

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

Information pertaining to directors and executive officers of the registrant is incorporated herein by reference to the registrant's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 10, 2000.

#### ITEM 11. EXECUTIVE COMPENSATION

Information pertaining to executive compensation is incorporated herein by reference to the registrant's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 10, 2000.

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

Information pertaining to security ownership of management and certain beneficial owners of the registrant's Common Stock is incorporated herein by reference to the registrant's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 10, 2000.

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

Information pertaining to certain relationships and related transactions is incorporated herein by reference to the registrant's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 10, 2000.

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#### PART IV

<TABLE>

<CAPTION>

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

14(a)(1) FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENTS

<S>

Consolidated Financial Statements and Financial Statement Schedule:

<C>

Report of Independent Accountants

F-1

Consolidated Balance Sheets as of December 31, 1999 and 1998

F-3

Consolidated Statements of Operations for

the years ended December 31, 1999, 1998 and 1997

F-4

Consolidated Statements of Stockholders' Equity for

the years ended December 31, 1999, 1998 and 1997

F-5



Consolidated Statements of Cash Flows for

the years ended December 31, 1999, 1998 and 1997

F-6

Notes to Consolidated Financial Statements

F-8

14(a)(2) FINANCIAL STATEMENT SCHEDULE

Schedule III - Real Estate and Accumulated Depreciation

F-30

14(a)(3) EXHIBITS

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

14(b) REPORTS ON FORM 8-K

</TABLE>

No reports on Form 8-K were filed by the Company during the quarter ended December 31, 1999.

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INDEX TO EXHIBITS

<TABLE>

<CAPTION>

EXHIBIT NO.

DESCRIPTION

EXHIBIT NO.	DESCRIPTION
3(i).1	-- Articles of Amendment and Restatement of Articles of Incorporation of AvalonBay Communities, Inc. (the "Company"), dated as of June 4, 1998. (Incorporated by reference to Exhibit 3(i).1 to Form 10-Q of the Company filed August 14, 1998.)
3(i).2	-- Articles of Amendment, dated as of October 2, 1998. (Incorporated by reference to Exhibit 3.1(ii) to Form 8-K of the Company filed on October 6, 1998.)
3(i).3	-- Articles Supplementary, dated as of October 13, 1998, relating to the 8.70% Series H Cumulative Redeemable Preferred Stock. (Incorporated by reference to Exhibit 1 to Form 8-A of the Company filed October 14, 1998.)
3(ii).1	-- Bylaws of the Company, as amended and restated, dated as of July 24, 1998. (Incorporated by reference to Exhibit 3(ii).1 to Form 10-Q of the Company filed August 14, 1998.)
3(ii).2	-- Amendment to Bylaws of the Company, dated February 10, 1999. (Incorporated by reference to Exhibit 3(ii).2 to Form 10-K of the Company filed March 31, 1999.)
3(ii).3	-- Amendment to Bylaws of the Company, dated May 5, 1999. (Incorporated by reference to Exhibit 3(ii).3 to Form 10-Q of the Company filed on August 16, 1999.)
4.1	-- Indenture of Avalon Properties, Inc. (hereinafter referred to as "Avalon Properties") dated as of September 18, 1995. (Incorporated by reference to Form 8-K of Avalon Properties dated September 18, 1995.)
4.2	-- First Supplemental Indenture of Avalon Properties dated as of September 18, 1995. (Incorporated by reference to Avalon Properties' Current Report on Form 8-K dated September 18, 1995.)
4.3	-- Second Supplemental Indenture of Avalon Properties dated as of December 16, 1997. (Incorporated by reference to Avalon Properties' Current Report on Form 8-K filed January 26, 1998.)
4.4	-- Third Supplemental Indenture of Avalon Properties dated as of January 22, 1998. (Incorporated by reference to Avalon Properties' Current Report on Form 8-K filed on January 26, 1998.)
4.5	-- Indenture, dated as of January 16, 1998, between the Company and State Street Bank and Trust Company, as Trustee. (Incorporated by reference to Exhibit 4.1 to Form 8-K of the

Company filed on January 21, 1998.)

- 4.6 -- First Supplemental Indenture, dated as of January 20, 1998, between the Company and the Trustee. (Incorporated by reference to Exhibit 4.2 to Form 8-K of the Company filed on January 21, 1998.)
- 4.7 -- Second Supplemental Indenture, dated as of July 7, 1998, between the Company and the Trustee. (Incorporated by reference to Exhibit 4.2 to Form 8-K of the Company filed on July 9, 1998.)
- 4.8 -- Third Supplemental Indenture, dated as of December 21, 1998 between the Company and the Trustee, including forms of Floating Rate Note and Fixed Rate Note (Incorporated by reference to Exhibit 4.4 to Form 8-K filed on December 21, 1998.)

</TABLE>

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<TABLE>

- <S>
- <C>
- 4.9 -- The Company's 7.375% Senior Note due 2002. (Incorporated by reference to Avalon's Current Report on Form 8-K filed on September 18, 1995.)
- 4.10 -- The Company's 6.250% Senior Note due 2003. (Incorporated by reference to Exhibit 4.3 to Form 8-K of the Company filed January 21, 1998.)
- 4.11 -- The Company's 6.500% Senior Note due 2005. (Incorporated by reference to Exhibit 4.4 to Form 8-K of the Company filed January 21, 1998.)
- 4.12 -- The Company's 6.625% Senior Note due 2008. (Incorporated by reference to Exhibit 4.5 to Form 8-K of the Company filed January 21, 1998.)
- 4.13 -- The Company's 6.50% Senior Note due 2003. (Incorporated by reference to Exhibit 4.3 to Form 8-K of the Company filed July 9, 1998.)
- 4.14 -- The Company's 6.625% Senior Note due 2005. (Incorporated by reference to Avalon Properties' Current Report on Form 8-K dated September 18, 1995.)
- 4.15 -- The Company's 6.80% Senior Note due 2006. (Incorporated by reference to Exhibit 4.4 to Form 8-K of the Company filed July 9, 1998.)
- 4.16 -- The Company's 6.875% Senior Note due 2007. (Incorporated by reference to Exhibit 4.1 to Avalon Properties' Current Report on Form 8-K filed December 22, 1997.)
- 4.17 -- Dividend Reinvestment and Stock Purchase Plan of the Company filed September 14, 1999. (Incorporated by reference to Form S-3 of the Company, File No. 333-87063.)
- 4.18 -- 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.)
- 4.19 -- Shareholder Rights Agreement, dated March 9, 1998 (the "Rights Agreement"), between the Company and First Union National Bank (as successor to American Stock Transfer and Trust Company) as Rights Agent (including the form of Rights Certificate as Exhibit B). (Incorporated by reference to Exhibit 4.1 to Form 8-A of the Company filed March 11, 1998.)
- 4.20 -- Amendment No. 1 to the Rights Agreement, dated as of February 28, 2000, between the Company and the Rights Agent. (Incorporated by reference to Exhibit 4.2 to Form 8-A/A of the Company filed February 28, 2000.)
- 10.1+ -- Employment Agreement, dated as of March 9, 1998, between the Company and Richard L. Michaux. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company filed August 14, 1998.)
- 10.2+ -- Employment agreement, dated as of March 9, 1998, between the Company and Charles H. Berman. (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company filed August 14, 1998.)

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

</TABLE>

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<TABLE>

<S> <C>

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

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

10.6+ -- Employment Agreement, dated as of March 9, 1998, between the Company and Gilbert M. Meyer. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company filed May 15, 1998.)

10.7+ -- Employment agreement, dated as of March 9, 1998, between the Company and Jeffrey B. Van Horn. (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company filed May 15, 1998.)

10.8+ -- Employment agreement, dated as of March 9, 1998, between the Company and Debra L. Shotwell. (Incorporated by reference to Exhibit 10.5 to Form 10-Q of the Company filed May 15, 1998.)

10.9+ -- Avalon Properties, Inc. 1993 Stock Option and Incentive Plan. (Incorporated by reference to Exhibit 10.1 to Avalon Properties' Annual Report to Form 10-K for the year ended December 31, 1993.)

10.10+ -- Avalon Properties, Inc. 1995 Equity Incentive Plan. (Incorporated by reference to Avalon Properties' Proxy Statement for the Annual Meeting of Stockholders held on May 9, 1995.)

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

10.12+ -- 1996 Non-Qualified Employee Stock Purchase Plan, dated June 26, 1997, as amended and restated. (Incorporated by reference to Exhibit 99.1 to Post-effective Amendment No. 1 to Form S-8 of the Company filed June 26, 1997, File No. 333-16837.)

10.13+ -- 1996 Non-Qualified Employee Stock Purchase Plan - Plan Information Statement dated June 26, 1997. (Incorporated by reference to Exhibit 99.2 to Form S-8 of the company, File No. 333-16837.)

10.14 -- Interest Rate Swap Agreement. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company dated May 13, 1994.)

10.15 -- Registration Rights Agreement between the Company and certain stockholders. (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company dated May 13, 1994.)

10.16 -- Office lease dated January 4, 1995. (Incorporated by reference to Exhibit 10.21 to Form 10-Q of the Company dated May 10, 1995.)

</TABLE>

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<TABLE>

<S> <C>

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

10.18 -- Agreement dated as of May 16, 1997, between the Company, J.E. Butler & Associates, Inc. and AP Companies, Ltd. relating to

the formation of Bay Rincon, L.P. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company filed August 14, 1997.)

- 10.19 -- Agreement of Limited Partnership of Bay Pacific Northwest, L.P. dated as of September 12, 1997, between the Company and certain other defined Persons. (Incorporated by reference to Exhibit 10.1 to Form 8-K of the Company filed October 28, 1997.)
- 10.20 -- Registration Rights Agreement, dated as of September 23, 1997, between the Company and certain defined Holders of units of limited partnership interests in Bay Pacific Northwest, L.P. (Incorporated by reference to Exhibit 10.2 to Form 8-K of the Company filed October 28, 1997.)
- 10.21 -- Revolving Loan Agreement, dated as of June 23, 1998, between the Company and Fleet National Bank, Morgan Guaranty Trust Company of New York and Union Bank of Switzerland, each as co-agents. (Incorporated by reference to Exhibit 10.6 to Form 10-Q of the Company filed August 14, 1998.)
- 10.22 -- Contribution and Exchange Agreement dated November 7, 1997. (Incorporated by reference to Avalon Properties' Current Report on Form 8-K filed November 24, 1997.)
- 10.23 -- Umbrella Agreement, among the Company, certain subsidiaries of the Company, Citibank, N.A., as collateral agent, and Financial Guaranty Insurance Company. (Incorporated by reference to Exhibit 10.7 to Form 10-Q of the Company dated May 13, 1994.)
- 10.24 -- Cash Collateral Account, Security, Pledge and Assignment Agreement among the Company, certain subsidiaries of the Company, Citibank, N.A., as collateral agent, and Financial Guaranty Insurance Company. (Incorporated by reference to Exhibit 10.8 to Form 10-Q of the Company dated May 13, 1994.)
- 10.25 -- Reimbursement Agreements among certain subsidiaries of the Company, Citibank, N.A., as collateral agent, and Financial Guaranty Insurance Company. (Incorporated by reference to Exhibit 10.9 to Form 10-Q of the Company dated May 13, 1994.)
- 10.26 -- Guaranty Agreements by Bay Asset Group, Inc., a subsidiary of the Company, in favor of Citibank, N.A., as collateral agent for Financial Guaranty Insurance Company. (Incorporated by reference to Exhibit 10.10 to Form 10-Q of the Company dated May 13, 1994.)
- 10.27 -- Limited Guaranty Agreements by certain subsidiaries of the Company in favor of Citibank, N.A., as collateral agent, and Financial Guaranty Insurance Company. (Incorporated by reference to Exhibit 10.11 to Form 10-Q of the Company dated May 13, 1994.)
- 10.28 -- Pledge Agreement between Bay Asset Group, Inc., a subsidiary of the Company and Citibank, N.A., as collateral agent for Financial Guaranty Insurance Company. (Incorporated by reference to Exhibit 10.12 to Form 10-Q of the Company dated May 13, 1994.)
- 10.29 -- Master Reimbursement Agreement between Avalon Properties and certain Management stockholders. (Incorporated by reference to Avalon Properties' Annual Report on Form 10-K for the year ended December 31, 1993.)

</TABLE>

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<TABLE>

- <S> <C> 10.30 -- Master Reimbursement Agreement. (Incorporated by reference to Exhibit 10.23 to Form 10-Q of the Company dated August 11, 1995.)
- 10.31 -- ISDA Master Agreement (Interest rate swap agreement). (Incorporated by reference to Exhibit 10.24 to Form 10-Q of the Company dated August 11, 1995.)
- 10.32 -- Cash Collateral Pledge, Security and Custody Agreement. (Incorporated by reference to Exhibit 10.25 to Form 10-Q of the Company dated August 11, 1995.)
- 10.33 -- Indemnification Agreements between the Company and the Directors of the Company (Incorporated by reference to Exhibit 10.39 to Form 10-K of the Company filed on March 31,

1999.)

- 10.34 -- Distribution Agreement dated December 21, 1998 among the Company and the Agents, including Administrative Procedures, relating to the medium-term notes. (Incorporated by reference to Exhibit 1.1 to Form 8-K of the Company filed on December 21, 1998.)
- 10.35+ -- Amendment, dated as of July 30, 1999, to Employment Agreement, dated as of March 9, 1998, between the Company and Richard L. Michaux. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company filed on August 16, 1999.)
- 10.36+ -- Amendment, dated as of July 30, 1999, to Employment Agreement, dated as of March 9, 1998, between the Company and Bryce Blair. (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company filed on August 16, 1999.)
- 10.37+ -- Amendment, dated as of July 30, 1999, to Employment Agreement, dated as of March 9, 1998, between the Company and Robert H. Slater. (Incorporated by reference to Exhibit 10.3 to Form 10-Q of the Company filed on August 16, 1999.)
- 10.38+ -- Letters of clarification, dated as of July 30, 1999, to the Employment Agreements of Messrs. Michaux, Blair and Slater. (Incorporated by reference to Exhibit 10.4 to Form 10-Q of the Company filed on August 16, 1999.)
- 10.39+ -- Separation Agreement, dated as of April 15, 1999, by and between the Company and Jeffrey B. Van Horn. (Incorporated by reference to Exhibit 10.5 to Form 10-Q of the Company filed on August 16, 1999.)
- 10.40+ -- Separation Agreement, dated as of May 27, 1999, by and between the Company and Charles H. Berman. (Incorporated by reference to Exhibit 10.6 to Form 10-Q of the Company filed on August 16, 1999.)
- 10.41+ -- Letter agreement regarding departure, dated as of August 26, 1999, by and between the Company and Debra L. Shotwell.
- 10.42 -- Amendment, dated May 6, 1999, to the Avalon Properties Amended and Restated 1995 Equity Incentive Plan. (Incorporated by reference to Exhibit 10.7 to Form 10-Q of the Company filed on August 16, 1999.)
- 12.1 -- Statements re: Computation of Ratios.
- 16.1 -- Letter re: Change in certifying accountant. (Incorporated by reference to Exhibit 16.2 to Form 8-K

</TABLE>

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<TABLE>

<S> <C> filed November 18, 1998.)

21.1 -- Schedule of Subsidiaries of the Company.

23.1 -- Consent of Arthur Andersen LLP.

23.2 -- Consent of Coopers & Lybrand, L.L.P.

27.1 -- Financial Data Schedule.

</TABLE>

- -----

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

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#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on

its behalf by the undersigned, thereunto duly authorized.

AVALONBAY COMMUNITIES, INC.

<TABLE>	
<S>	
Date: March 10, 2000	By: /s/ GILBERT M. MEYER
	-----
	Gilbert M. Meyer, Executive Chairman of the Board
</TABLE>	

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

<TABLE>	
<S>	
Date: March 10, 2000	By: /s/ GILBERT M. MEYER
	-----
	Gilbert M. Meyer, Executive Chairman of the Board, Director (Principal Executive Officer)
Date: March 10, 2000	By: /s/ RICHARD L. MICHAUX
	-----
	Richard L. Michaux, Chief Executive Officer and President, Director (Principal Executive Officer)
Date: March 10, 2000	By: /s/ THOMAS J. SARGEANT
	-----
	Thomas J. Sargeant, Chief Financial Officer and Executive VP Financial Services (Principal Financial and Accounting Officer)
Date: March 10, 2000	By: /s/ BRUCE A. CHOATE
	-----
	Bruce A. Choate, Director
Date: March 10, 2000	By: /s/ MICHAEL A. FUTTERMAN
	-----
	Michael A. Futterman, Director
Date: March 10, 2000	By: /s/ JOHN J. HEALY, JR.
	-----
	John J. Healy, Jr., Director
Date: March 10, 2000	By: /s/ RICHARD W. MILLER
	-----
	Richard W. Miller, Director
Date: March 10, 2000	By: /s/ BRENDA J. MIXSON
	-----
	Brenda J. Mixson, Director
Date: March 10, 2000	By: /s/ ALLAN D. SCHUSTER
	-----
	Allan D. Schuster, Director
Date: March 10, 2000	By:
	-----
	Lance R. Primis, Director

</TABLE>

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of AvalonBay Communities, Inc. (a Maryland corporation, the "Company") and subsidiaries as of December 31, 1999 and 1998 (as revised for 1998 - see Note 2), and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended (as revised for 1998 - see Note 2). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AvalonBay Communities, Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

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

/s/ ARTHUR ANDERSEN LLP  
 Vienna, Virginia  
 March 3, 2000

F-1  
 REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of  
 Avalon Properties, Inc.

We have audited the consolidated statements of operations, stockholders' equity and cash flows of Avalon Properties, Inc. (the "Company") for the year ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows for the year ended December 31, 1997, in conformity with generally accepted accounting principles.

/s/ COOPERS & LYBRAND L.L.P.  
 New York, New York  
 January 13, 1998, except for the 1997 information in Note 10, as to which the date is March 9, 2000

F-2  
 AVALONBAY COMMUNITIES, INC.  
 CONSOLIDATED BALANCE SHEETS  
 (Dollars in thousands, except share data)

<TABLE>  
 <CAPTION>

	12-31-99	12-
	-----	-----
31-98		
<S>	<C>	<C>
ASSETS		
Real estate:		
Land	\$ 663,007	\$
643,562		
Buildings and improvements	2,942,866	

2,656,674			
Furniture, fixtures and equipment		82,467	
80,401			
-----			
		3,688,340	
3,380,637			
Less accumulated depreciation		(206,962)	
(120,771)			
-----			
Net operating real estate		3,481,378	
3,259,866			
Construction in progress (including land)		395,187	
413,822			
Communities held for sale		164,758	
195,394			
-----			
Total real estate, net		4,041,323	
3,869,082			
Cash and cash equivalents		7,621	
8,890			
Cash in escrow		8,801	
8,453			
Resident security deposits		14,113	
10,383			
Investments in unconsolidated joint ventures		10,702	
9,192			
Deferred financing costs, net		14,056	
13,461			
Deferred development costs		12,938	
15,489			
Participating mortgage notes		21,483	
45,483			
Prepaid expenses and other assets		23,625	
24,580			
-----			
	TOTAL ASSETS	\$ 4,154,662	\$
4,005,013			
=====			
	LIABILITIES AND STOCKHOLDERS' EQUITY		
Variable rate unsecured credit facility		\$ 178,600	\$
329,000			
Unsecured notes		985,000	
710,000			
Notes payable		430,047	
445,371			
Dividends payable		44,139	
43,323			
Payables for construction		18,874	
48,150			
Accrued expenses and other liabilities		40,226	
42,354			
Accrued interest payable		28,134	
20,664			
Resident security deposits		23,980	
19,501			
-----			
	TOTAL LIABILITIES	1,749,000	
1,658,363			
-----			
Minority interest of unitholders in consolidated partnerships		35,377	
32,213			
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, \$.01 par value; \$25 liquidation value; 50,000,000			
shares authorized at both December 31, 1999 and 1998; 18,322,700			
shares outstanding at both December 31, 1999 and 1998		183	
183			
Common stock, \$.01 par value; 140,000,000 shares authorized at both December 31, 1999			
and 1998; 65,758,009 and 63,887,126 shares outstanding at December 31, 1999 and			
December 31, 1998, respectively		658	



639	Additional paid-in capital	2,442,510	
2,386,087	Defered compensation	(3,559)	
(4,356)	Dividends in excess of accumulated earnings	(69,507)	
(68,116)			
-----		-----	-----
2,314,437	TOTAL STOCKHOLDERS' EQUITY	2,370,285	
-----		-----	-----
4,005,013	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,154,662	\$
=====		=====	

</TABLE>

See accompanying notes to consolidated financial statements.  
Amounts for 1998 have been revised to conform with the 1999 presentation  
(see note 2).

F-3

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

<TABLE>  
<CAPTION>

	Year ended		
	12-31-99	12-31-98	12-
31-97			
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Revenue:			
Rental income	\$ 503,132	\$ 369,945	\$
169,442			
Management fees	1,176	1,377	
1,029			
Other income	236	81	
633			
-----	-----	-----	-----
Total revenue	504,544	371,403	
171,104			
-----	-----	-----	-----
Expenses:			
Operating expenses, excluding property taxes	134,172	104,346	
47,279			
Property taxes	42,701	31,775	
14,429			
Interest expense	74,699	54,650	
16,977			
Depreciation and amortization	109,759	77,374	
29,113			
General and administrative	9,502	9,124	
5,093			
Non-recurring charges	16,782	--	
--			
-----	-----	-----	-----
Total expenses	387,615	277,269	
112,891			
-----	-----	-----	-----
Equity in income of unconsolidated joint ventures	2,867	2,638	
5,689			
Interest income	7,362	3,508	
1,346			
Minority interest in consolidated partnerships	(1,975)	(1,770)	
174			
-----	-----	-----	-----

Income before gain on sale of communities and extraordinary item 65,422	125,183	98,510	
Gain on sale of communities 677	47,093	25,270	
-----	-----	-----	-----
Income before extraordinary item 66,099	172,276	123,780	
Extraordinary item (1,183)	--	(245)	
-----	-----	-----	-----
Net income 64,916	172,276	123,535	
Dividends attributable to preferred stock (19,656)	(39,779)	(28,132)	
-----	-----	-----	-----
Net income available to common stockholders 45,260	\$ 132,497	\$ 95,403	\$
=====	=====	=====	
Per common share:			
Income before extraordinary item - basic 1.64	\$ 2.02	\$ 1.87	\$
=====	=====	=====	
Income before extraordinary item - diluted 1.63	\$ 2.00	\$ 1.84	\$
=====	=====	=====	
Extraordinary item - basic and diluted (0.04)	\$ --	\$ (0.00)	\$
=====	=====	=====	
Net income - basic 1.60	\$ 2.02	\$ 1.87	\$
=====	=====	=====	
Net income - diluted 1.59	\$ 2.00	\$ 1.84	\$
=====	=====	=====	

</TABLE>

See accompanying notes to consolidated financial statements.  
Amounts for 1998 and 1997 have been revised to conform with the 1999  
presentation (see note 2).

F-4

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

<TABLE>  
<CAPTION>

	Shares issued		Amount	
	Preferred Stock	Common Stock	Preferred Stock	Common Stock
<S>	<C>	<C>	<C>	<C>
Balance at 12-31-96	8,755,000	25,655,068	\$ 88	\$ 256
Net income	--	--	--	--
Dividends declared to common and preferred stockholders	--	--	--	--
Issuance of Common Stock, net of offering costs	--	6,594,509	--	66
Amortization of deferred compensation	--	--	--	--
-----	-----	-----	-----	-----
Balance at 12-31-97	8,755,000	32,249,577	88	322

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

<CAPTION>

	Additional paid-in capital	Deferred compensation	Dividends in excess of accumulated earnings	Stockholders' equity
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Balance at 12-31-96	\$ 752,237	\$ (1,699)	\$ (12,894)	\$ 737,988
Net income	--	--	64,916	64,916
Dividends declared to common and preferred stockholders	--	--	(75,795)	(75,795)
Issuance of Common Stock, net of offering costs	235,401	(3,569)	--	231,898
Amortization of deferred compensation	--	2,003	--	2,003
	-----	-----	-----	-----
Balance at 12-31-97	987,638	(3,265)	(23,773)	961,010
Net income	--	--	123,535	123,535
Dividends declared to common and preferred stockholders	--	--	(167,878)	(167,878)
Issuance of Common Stock, net of offering costs	45,267	(4,346)	--	40,934
Issuance of Preferred Stock, net of offering costs	96,195	--	--	96,235
Stock acquired in connection with the Merger of Bay and Avalon	1,256,987	--	--	1,257,346
Conversion of Preferred Stock to Common Stock	--	--	--	--
Amortization of deferred compensation	--	3,255	--	3,255
	-----	-----	-----	-----
Balance at 12-31-98	2,386,087	(4,356)	(68,116)	2,314,437
Net income	--	--	172,276	172,276
Dividends declared to common and preferred stockholders	--	--	(173,667)	(173,667)
Issuance of Common Stock	56,423	(3,167)	--	53,275
Amortization of deferred compensation	--	3,964	--	3,964
	-----	-----	-----	-----
Balance at 12-31-99	\$ 2,442,510	\$ (3,559)	\$ (69,507)	\$ 2,370,285
	=====	=====	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.  
Amounts for 1998 and 1997 have been revised to conform with the 1999 presentation (see note 2).

(Dollars in thousands)

<TABLE>  
<CAPTION>

	For the year ended		
	12-31-99	12-31-98	
CASH FLOWS FROM OPERATING ACTIVITIES:			
<S>	<C>	<C>	<C>
Net income	\$ 172,276	\$ 123,535	\$
64,916			
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	109,759	77,374	
29,113			
Amortization of deferred compensation	3,964	3,255	
2,003			
Decrease (increase) in investments in unconsolidated joint ventures	(1,510)	1,139	
65			
Income allocated to minority interest in consolidated partnerships	1,975	1,770	
(174)			
Gain on sale of communities	(47,093)	(25,270)	
(677)			
Extraordinary item	--	245	
1,183			
Decrease (increase) in cash in escrow	(348)	2,172	
966			
Increase in resident security deposits, accrued interest on participating mortgage notes, prepaid expenses and other assets	(310)	(14,383)	
(7,575)			
Increase in accrued expenses, other liabilities and accrued interest payable	11,353	23,641	
3,829			
Net cash provided by operating activities	250,066	193,478	
93,649			
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Increase (decrease) in construction payables	(29,276)	26,052	
3,698			
Proceeds from sale of communities, net of selling costs	255,618	118,025	
16,577			
Sale (acquisition) of participating mortgage note	25,300	(24,000)	
--			
Merger costs and related activities	--	(24,562)	
--			
Investment in unconsolidated joint venture	--	--	
(7,980)			
Proceeds from joint venture partner	--	--	
37,700			
Purchase and development of real estate	(516,261)	(713,200)	
(471,415)			
Net cash used in investing activities	(264,619)	(617,685)	
(421,420)			
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common and preferred stock, net of offering costs	53,275	137,169	
231,898			
Dividends paid	(172,333)	(126,247)	
(75,795)			
Proceeds from sale of unsecured notes	275,000	350,000	
--			
Payment of deferred financing costs	(3,654)	(4,435)	
(3,901)			
Repayments of notes payable	(3,934)	(2,391)	
(25,341)			
Borrowings under notes payable	--	--	
121,891			
Refinancings of notes payable	18,755	--	

--				
	Net borrowings under (repayments of) unsecured facilities	(150,400)	75,695	
71,500				
	Distributions to minority partners	(3,425)	(3,416)	
--				
-----		-----	-----	---
	Net cash provided by financing activities	13,284	426,375	
320,252		-----	-----	---
-----				
	Net increase (decrease) in cash	(1,269)	2,168	
(7,519)				
	Cash and cash equivalents, beginning of year	8,890	6,722	
14,241		-----	-----	---
-----				
	Cash and cash equivalents, end of year	\$ 7,621	\$ 8,890	\$
6,722		=====	=====	
=====				
	Cash paid during period for interest, net of amount capitalized	\$ 60,705	\$ 31,405	\$
17,371		=====	=====	
=====				

</TABLE>

See accompanying notes to consolidated financial statements.  
Amounts for 1998 and 1997 have been revised to conform with the  
1999 presentation (see note 2).

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

During the year ended December 31, 1997, the Company assumed \$27,305 of debt and issued 464,966 units of limited partnership in DownREIT partnerships, valued at \$18,157, in connection with acquisitions.

In June 1998, Avalon Properties, Inc. merged into Bay Apartment Communities, whereupon Avalon ceased to exist and Bay legally succeeded to all of the assets and liabilities of Avalon. In these financial statements, the merger was accounted for under the purchase method of accounting whereby Bay, as the surviving legal entity, adopted the historical financial statements of Avalon, and therefore the historical financial statements for Avalon are presented prior to the merger and Bay's assets were recorded in the historical financial statements of Avalon, as of the date of the merger, at an amount equal to Bay's debt outstanding at that time plus the value of capital stock retained by the Bay stockholders, which approximates fair value. As a result, the financial statements presented reflect that, in connection with the merger, the following was assumed or acquired: debt of \$604,663; net other liabilities of \$25,239; cash and cash equivalents of \$1,419; and a minority interest of \$9,020.

During the year ended December 31, 1998, the Company assumed \$10,400 of debt and issued 104,222 units of limited partnership in DownREIT partnerships, valued at \$3,851, in connection with acquisitions. A total of 6,818 units of limited partnership were presented for redemption to the DownREIT partnership that issued such units and were acquired by the Company for an equal number of shares of the Company's Common Stock. Additionally, 950,064 shares of Series A Preferred Stock and 405,022 shares of Series B Preferred Stock were converted into an aggregate of 1,355,086 shares of Common Stock.

During the year ended December 31, 1999, 117,178 units of limited partnership in DownREIT partnerships, valued at \$4,614, were issued in connection with an acquisition for cash and units pursuant to a forward purchase agreement signed in 1997 with an unaffiliated party. Also during the year ended December 31, 1999, 22,623 units of limited partnership were presented for redemption to the DownREIT partnership that issued such units and were acquired by the Company for an equal number of shares of the Company's Common Stock.

Common and preferred dividends declared but not paid as of December 31, 1999, 1998 totaled \$44,139 and \$43,323, respectively. There were no dividends declared that were not paid as of December 31, 1997.

1. Organization and Significant Accounting Policies

Organization and Recent Developments

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

The Company is the surviving corporation from the merger (the "Merger") of Bay Apartment Communities, Inc. ("Bay") and Avalon Properties, Inc. (sometimes hereinafter referred to as "Avalon" before the Merger) on June 4, 1998, where Avalon shareholders received 0.7683 share of common stock of the Company for each share owned of Avalon common stock. The merger was accounted for under the purchase method of accounting, with the historical financial statements for Avalon presented prior to the Merger. At that time, Avalon ceased to legally exist, and Bay as the surviving legal entity adopted the historical financial statements of Avalon, with Bay's assets recorded in the historical financial statements of Avalon at an amount equal to Bay's debt outstanding at that time plus the value of capital stock retained by the Bay stockholders, which approximates fair value. All disclosures related to 1997 share and per share information of Avalon have been revised to reflect the 0.7683 share conversion ratio used in the merger. In connection with the Merger, the Company changed its name from Bay Apartment Communities, Inc. to AvalonBay Communities, Inc.

At December 31, 1999, the Company owned or held a direct or indirect ownership interest in 122 operating apartment communities containing 36,008 apartment homes in twelve states and the District of Columbia, of which four communities containing 1,455 apartment homes were under reconstruction. The Company also owned 12 communities with 3,173 apartment homes under construction and rights to develop an additional 30 communities that, if developed as expected, will contain an estimated 8,624 apartment homes.

During the period January 1, 1998 through June 4, 1998, Avalon acquired four communities containing a total of 1,084 apartment homes from unrelated third parties for an aggregate acquisition price of approximately \$75,335. One of these communities had been sold as of December 31, 1999. The cumulative capitalized cost of the remaining three communities at December 31, 1999 was \$47,124. During the period subsequent to the Merger through December 31, 1998, the Company acquired three communities containing a total of 1,433 apartment homes from unrelated third parties for an aggregate acquisition price of approximately \$201,800 (cumulative capitalized cost of \$205,214 as of December 31, 1999). The Company also acquired a participating mortgage note for \$24,000 which was sold by the Company for a gross sales price of \$25,300 in October 1999.

During the year ended December 31, 1999, the Company acquired one community containing 224 apartment homes through a DownREIT partnership for an acquisition price of approximately \$25,750, including 117,178 units of limited partnership in the DownREIT partnership valued at \$4,614. The community was acquired in connection with a forward purchase agreement signed in 1997 with an unaffiliated party.

During 1999, the Company completed development of ten communities, containing 2,335 apartment homes for a total investment of approximately \$391,600. Also, during 1999, the Company completed redevelopment of thirteen communities, containing 4,051 apartment homes for a total investment in redevelopment (i.e., excluding acquisition costs) of \$77,300.

In 1998, the Company adopted a strategy of disposing of certain assets in markets that did not meet its long-term strategic direction. In connection with this strategy, the Company sold seven communities in 1998 containing a total of 2,039 apartment homes for net proceeds of approximately \$73,900. During 1999, the Company also sold 16

communities containing 4,464 apartment homes and a participating mortgage note secured by a community for net proceeds of approximately \$280,918. This disposition strategy is also enabling redeployment of capital; the net proceeds from these dispositions will be redeployed to develop and redevelop communities currently under construction or reconstruction. Pending such redeployment, the proceeds from the sale of these communities were used to repay amounts outstanding under the Company's variable rate unsecured credit facility.

## Principles of Consolidation

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

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

## Real Estate

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

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

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

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

If there is an event or change in circumstance that indicates an impairment in the value of a community, the Company's policy is to assess any impairment in value by making a comparison of the current and projected operating cash flows of the community over its remaining useful life, on an undiscounted basis, to the carrying amount of the community. If such carrying amounts are in excess of the estimated projected operating cash flows of the community, the Company

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would recognize an impairment loss equivalent to an amount required to adjust the carrying amount to its estimated fair market value. The Company has not recognized an impairment loss in 1999, 1998 or 1997 on any of its real estate.

## Investments in Unconsolidated Joint Ventures

Investments in unconsolidated real estate joint ventures are accounted for under the equity method as the Company does not control the significant operating and financial decisions of the joint ventures. The joint venture agreements require that a majority voting interest of the partners approve potential sales, liquidations, significant refinancings, as well as operating budget and capital and financing plans.

## Income Taxes

The Company elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, for the year ended December 31, 1994 and has not revoked such election. A corporate REIT is a legal entity which holds real estate interests and, if certain conditions are met (including but not limited to the payment of

a minimum level of dividends to stockholders), the payment of federal and state income taxes at the corporate level is avoided or reduced. Management believes that all such conditions for the avoidance of taxes have been met for the periods presented. Accordingly, no provision for federal and state income taxes has been made.

The following summarizes the tax components of the Company's common dividends declared for the years ended December 31, 1999, 1998 and 1997:

<TABLE>  
<CAPTION>

	% of common dividends declared for:					
	(AvalonBay)	(AvalonBay, post merger)	(Avalon, prior to merger)	(Bay, prior to merger) (1)	(Avalon)	(Bay)
(1)	1999	1998	1998	1998	1997	1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Ordinary income	76%	77%	56%	77%	80%	100%
20% rate gain	11%	9%	--	9%	1%	--
Unrecaptured Section 1250 gain	13%	14%	--	14%	2%	--
Non-taxable return of capital	--	--	44%	--	17%	--

</TABLE>

(1) Information presented for Bay for periods prior to Merger is unaudited.

Dividends declared on all series of the Company's preferred stock in 1999 represented 76.0% of ordinary income, 11.0% of twenty percent rate gain and 13.0% of unrecaptured Section 1250 gain. Dividends declared on all series of the Company's preferred stock subsequent to the Merger through December 31, 1998 represented ordinary income. Dividends declared on all series of Bay's preferred stock during 1998 prior to the Merger and in 1997 represented ordinary income. Dividends declared on all series of Avalon's preferred stock during 1998 prior to the Merger represented ordinary income. Dividends declared on all series of Avalon's preferred stock in 1997 represented 97.0% of ordinary income, 1.0% of twenty percent rate gain and 2.0% of unrecaptured Section 1250 gain.

#### Development Costs of Software for Internal Use

The Company has entered into a formal joint venture cost sharing agreement with another public multifamily real estate company to develop a new on-site property management system and a leasing automation system to enable the Company to capture, review and analyze data to a greater degree than the Company found currently possible with third-party software products. The software development process is currently being managed by Company employees who oversee a project team of employees and third-party consultants. Development costs associated with the software project include computer hardware costs, direct labor costs and third-party consultant costs related to programming and documenting the system. The project began in January 1998 and is expected to be fully implemented by March 2001, although no assurance can be provided in this regard. The Company will continue to develop these systems through the joint venture agreement and the total cost of development will be shared equally between the Company and the joint venture partner. Once developed, the Company and the joint venture partner intend to use the property management

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and leasing systems in place of their respective systems currently in use for which fees are generally paid to third party vendors.

Costs associated with the project are accounted for in accordance with the American Institute of Certified Public Accountants' Statement of Position 98-1 ("SOP 98-1") "Accounting for Costs of Computer Software Developed or Obtained for Internal Use." Under SOP 98-1, costs of acquiring hardware and costs of coding, documenting and testing the software are capitalized during the application development stage. Following implementation, capitalized development costs are amortized over the system's estimated useful life and other costs such as training and application maintenance are expensed as incurred.

#### Deferred Financing Costs

Deferred financing costs include fees and costs incurred to obtain debt financing and are amortized on a straight-line basis, which approximates the effective interest method, over the shorter of the term of the loan or the related credit enhancement facility, if applicable. Unamortized financing costs are written-off when debt is retired before the maturity date.

#### Cash and Cash Equivalents



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

#### Earnings per Common Share

In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share", basic earnings per share for the years ended December 31, 1999, 1998 and 1997 is computed by dividing earnings available to common shares (net income less preferred stock dividends) by the weighted average number of shares and Units outstanding during the period. Additionally, other potentially dilutive common shares are considered when calculating earnings per share on a diluted basis. The Company's basic and diluted weighted average shares outstanding for the years ended December 31, 1999, 1998 and 1997 are as follows:

<TABLE>  
<CAPTION>

	Year ended		
	12-31-99	12-31-98	12-31-97
<S>	<C>	<C>	<C>
Weighted average common shares outstanding - basic	64,724,799	50,387,258	28,244,845
Weighted average Units outstanding	933,122	725,948	469
Weighted average common shares and Units outstanding - basic	65,657,921	51,113,206	28,245,314
Effect of dilutive securities	452,743	658,041	186,509
Weighted average common shares and Units outstanding - diluted	66,110,664	51,771,247	28,431,823

</TABLE>

Certain options to purchase shares of common stock in the amount of 2,282,192, 2,643,190 and 899,679 were outstanding during 1999, 1998 and 1997, respectively but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares.

#### Non-recurring Charges

In February 1999, the Company announced certain management changes including (i) the departure of three senior officers (including the former President of Avalon) who became entitled to severance benefits in accordance with the

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terms of their employment agreements with the Company dated as of March 9, 1998 and (ii) elimination of duplicate accounting functions and related employee departures. The Company recorded a non-recurring charge of approximately \$16,100 in the first quarter of 1999 related to the expected costs associated with this management realignment and certain related organizational adjustments.

Because a plan of management realignment was not in existence on June 4, 1998, the date of the Merger, this charge is not considered a cost of the Merger. Accordingly, the expenses associated with the management realignment have been treated as a non-recurring charge. The charge includes severance and benefits expenses, costs to eliminate duplicate accounting functions and legal fees. Certain former employees have elected to receive their severance benefits in an installment basis for up to twelve months. Accordingly, the Company had a remaining liability of approximately \$1,457 at December 31, 1999 related to severance benefits after payments of \$14,019 made for the year ended December 31, 1999.

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

Selected information relating to the non-recurring charge is summarized below:

<TABLE>  
<CAPTION>

	Elimination of duplicate accounting	Legal
Severance		

	benefits	costs	fees	Total
<S>	<C>	<C>	<C>	<C>
Total non-recurring charge (1)	\$ 15,476	\$ 250	\$ 350	\$ 16,076
Cash payments	(14,019)	(250)	(252)	(14,521)
Restructuring liability as of December 31, 1999	\$ 1,457	--	\$ 98	\$ 1,555

(1) Excludes Y2K costs of \$706.

</TABLE>

#### Use of Estimates

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

#### Reclassifications

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

#### Recently Issued Accounting Standards

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131 "Disclosure about Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for determining an entity's operating segments and the type and level of financial information to be disclosed. SFAS No. 131 became effective for the Company for the fiscal year ending December 31, 1998. The Company adopted SFAS No. 131 effective with the December 31, 1998 reporting period.

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In March 1998, the Emerging Issues Task Force of the Financial Accounting Standards Board issued Ruling 97-11 entitled "Accounting for Internal Costs Relating to Real Estate Property Acquisitions," which requires that internal costs of identifying and acquiring operating property be expensed as incurred. Costs associated with the acquisition of non-operating property may still be capitalized. The ruling is effective for acquisitions completed subsequent to March 19, 1998. At December 31, 1999, this ruling does not have a material effect on the Company's consolidated financial statements.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This pronouncement establishes accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. In June 1999, the Financial Accounting Standards Board issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective date of SFAS No. 133." SFAS No. 137 delays the effective date of SFAS No. 133 for one year, to fiscal years beginning after June 15, 2000. The Company currently plans to adopt this pronouncement effective January 1, 2001, and will determine both the method and impact of adoption, which is expected to be immaterial, prior to that date.

#### 2. Merger Between Bay and Avalon and Revised Financial Presentation

Prior to December 31, 1999, the Company accounted for the Merger between Avalon and Bay under the purchase method of accounting, using the historical financial statements of Bay prior to and after the merger. Based on discussions with the Securities and Exchange Commission, the Company agreed to revise its financial presentation as of and for the years ended December 31, 1998 and 1997 to present the merger whereby the historical financial statements for Avalon are presented prior to the Merger. At that time, Avalon ceased to legally exist and Bay as the surviving legal entity adopted the historical financial statements of Avalon, with Bay's assets recorded in the historical financial statements of Avalon at an amount equal to Bay's debt outstanding at that time plus the value of capital stock retained by the Bay stockholders, which approximates fair value. Unaudited quarterly data for the years ended December 31, 1999 and 1998, as shown in Note 12, has also been revised. Except as otherwise stated herein, all information presented in the consolidated financial statements and related notes includes all such revisions.

Adjustments have been made in the revised financial statements to reflect the following:

- - The financial statements presented for 1997 and the period from January 1, 1998 through the date of the Merger are the historical financial statements of Avalon after giving effect to the number of shares outstanding based on the Merger exchange ratio.
- - Assets and liabilities of Avalon as of the Merger date are recorded at historical cost.
- - Assets and liabilities of Bay as of the Merger date are recorded at an amount equal to Bay's debt outstanding plus the value of capital stock retained by Bay, which approximates fair value; write-downs of assets or additional accruals have been recorded as additional purchase price.
- - The results of operations of the Company for the year ended December 31, 1998 reflect the historical operations of Avalon prior to the Merger and operations of the combined company after the merger date through December 31, 1998.

These revisions increased (decreased) previously reported total assets, total stockholders' equity, net income and earnings per share for the years ended December 31, 1998 and 1997 as follows:

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<TABLE>  
<CAPTION>

	1998	1997
	-----	-----
<S>	<C>	<C>
Total Assets	\$ (25,191)	\$ 212,053
	=====	=====
Total Stockholders' equity	\$ (25,016)	\$ 168,315
	=====	=====
Income before extraordinary item	\$ 29,346	\$ 27,158
Extraordinary item	\$ (245)	\$ (1,183)
	-----	-----
Net income	\$ 29,101	\$ 25,975
	=====	=====
Net income available to common stockholders	\$ 26,843	\$ 13,799
	=====	=====
Per common share:		
Income before extraordinary item - basic	\$ 0.48	\$ 0.24
	=====	=====
Income before extraordinary item - diluted	\$ 0.47	\$ 0.23
	=====	=====
Extraordinary item - basic and diluted	--	\$ (0.04)
	=====	=====
Net income - basic	\$ 0.48	\$ 0.20
	=====	=====
Net income - diluted	\$ 0.47	\$ 0.19
	=====	=====

</TABLE>

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

<TABLE>  
<CAPTION>

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

</TABLE>

3. Interest Capitalized

Capitalized interest associated with communities under development or redevelopment totaled \$21,888, \$14,724 and \$9,024 for the years ended December 31, 1999, 1998 and 1997, respectively.

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4. Notes Payable, Unsecured Notes and Credit Facility

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

	12-31-99	12-31-98
	-----	-----
	<C>	<C>
Fixed rate mortgage notes payable (conventional and tax-exempt)	\$ 362,087	\$ 388,106
Variable rate mortgage notes payable (tax-exempt)	67,960	57,265
Fixed rate unsecured notes	985,000	710,000
	-----	-----
Total notes payable and unsecured notes	1,415,047	1,155,371
Variable rate unsecured credit facility	178,600	329,000
	-----	-----
Total notes payable, unsecured notes and credit facility	\$ 1,593,647	\$ 1,484,371
	=====	=====

</TABLE>

Mortgage notes payable are collateralized by certain apartment communities and mature at various dates from May 2001 through December 2036. The weighted average interest rate of the Company's variable rate notes and credit facility was 6.9% at December 31, 1999. The weighted average interest rate of the Company's fixed rate notes (conventional and tax-exempt) was 6.9% and 6.7% at December 31, 1999 and 1998, respectively.

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

Year of Maturity	Principal	Interest Rate
-----	-----	-----
<S>	<C>	<C>
2002	\$ 100,000	7.375%
2003	\$ 50,000	6.25%
	\$ 100,000	6.5%
2004	\$ 125,000	6.58%
2005	\$ 100,000	6.625%
	\$ 50,000	6.5%
2006	\$ 150,000	6.8%
2007	\$ 110,000	6.875%
2008	\$ 50,000	6.625%
2009	\$ 150,000	7.5%

</TABLE>

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

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

<TABLE>		<C>	
<S>		\$	
	2000		3,595
	2001		14,654
	2002		103,880
	2003		158,846
	2004		166,297
	Thereafter		967,775
-----			
	Total notes payable	\$	1,415,047
=====			

&lt;/TABLE&gt;

The Company has a \$600,000 variable rate unsecured credit facility (the "Unsecured Facility") with Morgan Guaranty Trust Company of New York, Union Bank of Switzerland and Fleet National Bank, serving as co-agents for a syndicate of commercial banks. The Unsecured Facility bears interest at a spread over the London Interbank Offered Rate ("LIBOR") based on rating levels achieved on the Company's unsecured notes and on a maturity selected by the Company. The current stated pricing is LIBOR plus 0.6% per annum (7.1% at December 31, 1999). In addition, the Unsecured Facility includes a competitive bid option (which allows banks that are part of the lender consortium to bid to make loans to the Company at a rate that is lower than the stated rate provided by the Unsecured Facility) for up to \$400,000. The Company is subject to certain customary covenants under the Unsecured Facility, including, but not limited to, maintaining certain maximum leverage ratios, a minimum fixed charges coverage ratio, minimum unencumbered assets and equity levels and restrictions on paying dividends in amounts that exceed 95% of the Company's Funds from Operations, as defined therein. The Unsecured Facility matures in July 2001 and has two, one-year extension options.

#### 5. Stockholders' Equity

As of December 31, 1999 and 1998, the Company had authorized for issuance 140,000,000 and 50,000,000 of Common and Preferred Stock, respectively. Dividends on the Series C, Series D, Series F, Series G and Series H Preferred Stock are cumulative from the date of original issue and are payable quarterly in arrears on or before the 15th day of each month as stated in the table below. None of the series of Preferred Stock are redeemable prior to the date stated in the table below, but on or after the stated date, may be redeemed for cash at the option of the Company in whole or in part, at a redemption price of \$25 per share, plus all accrued and unpaid dividends, if any. The series of Preferred Stock have no stated maturity and are not subject to any sinking fund or mandatory redemptions. In addition, the series of Preferred Stock are not convertible into any other securities of the Company and may be redeemed solely from proceeds of other capital stock of the Company, which may include shares of other series of preferred stock.

<TABLE>  
<CAPTION>

redeemable Series to	Shares outstanding December 31, 1999	Payable quarterly	Annual rate	Liquidation preference	Non- prior	
-----	-----	-----	-----	-----	-----	
<S>	<C>	<C>	<C>	<C>	<C>	
2002	C	2,300,000	March, June, September, December	8.50%	\$25	June 20,
2002	D	3,267,700	March, June, September, December	8.00%	\$25	December 15,
2001	F	4,455,000	February, May, August, November	9.00%	\$25	February 15,
2001	G	4,300,000	February, May, August, November	8.96%	\$25	October 15,
2008	H	4,000,000	March, June, September, December	8.70%	\$25	October 15,

&lt;/TABLE&gt;

The Company also has 1,000,000 shares of Series E Junior Participating Cumulative Preferred Stock authorized for issuance pursuant to the Company's Shareholder Rights Agreement. As of December 31, 1999, there were no shares of Series E Preferred Stock outstanding.

#### 6. Investments in Unconsolidated Joint Ventures

At December 31, 1999, the Company's investments in unconsolidated joint ventures consisted of a 50% general partnership interest in Falkland Partners, a 49% general partnership interest in Avalon Run and a 50% limited liability company membership interest in Avalon Grove. Also during 1999, the Company entered into a joint venture to develop an on-site property management system and a leasing automation system; the Company's joint venture interest consists of a 60% limited liability company membership interest. The following is a combined summary of the financial position of these joint ventures as of the dates presented.

<TABLE>  
<CAPTION>

	Unaudited	
	12-31-99	12-31-98
	-----	-----
<S>	<C>	<C>
Assets:		
Real estate, net	\$ 94,644	\$ 96,419
Other assets	10,666	4,532
	-----	-----
Total assets	\$105,310	\$100,951
	=====	=====
Liabilities and partners' equity:		
Mortgage notes payable	\$ 26,000	\$ 26,000
Other liabilities	6,479	4,933
Partners' equity	72,831	70,018
	-----	-----
Total liabilities and partners' equity	\$105,310	\$100,951
	=====	=====

</TABLE>

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

<TABLE>  
<CAPTION>

	Year ended (Unaudited)		
	12-31-99	12-31-98	12-31-97
	-----	-----	-----
<S>	<C>	<C>	<C>
Rental income	\$ 20,781	\$ 19,799	\$ 16,497
Other income	26	26	44
Operating and other expenses	(6,051)	(5,591)	(5,020)
Mortgage interest expense	(773)	(833)	(893)
Depreciation and amortization	(3,091)	(3,044)	(1,869)
	-----	-----	-----
Net income	\$ 10,892	\$ 10,357	\$ 8,759
	=====	=====	=====

</TABLE>

#### 7. Communities Held for Sale

During 1998, the Company completed a strategic planning effort resulting in a decision to pursue a disposition strategy for certain assets in markets that did not meet its long-term strategic direction. In connection with this strategy, the Company solicits competing bids from unrelated parties for individual assets, and considers the sales price and tax ramifications of each proposal. The Company sold seven communities with a total of 2,039 apartment

homes in connection with this strategy in 1998. The aggregate gross sales price for these assets was \$126,200, with total net proceeds of \$73,900. A portion of the gross sales price was used to repay \$50,030 of debt secured by assets sold. The communities sold during 1999 and the respective sales price and net proceeds are summarized on the following page:

<TABLE>  
<CAPTION>

Communities	Location	Period of sale	Apartment homes
<S>	<C>	<C>	<C>
Blairmore	Rancho Cordova, CA	1Q99	252
Avalon at Park Center	Alexandria, VA	2Q99	492
Avalon at Lake Arbor	Mitchellville, MD	2Q99	209
Avalon Station	Fredricksburg, VA	2Q99	223
Avalon Gayton	Richmond, VA	2Q99	328
Avalon at Boulders	Richmond, VA	2Q99	284
The Pointe (1)	Fairfield, CA	3Q99	296
Avalon at Willow Lake	Indianapolis, IN	3Q99	230
Avalon at Geist	Lawrence, IN	3Q99	146
Avalon at Montgomery	Cincinnati, OH	4Q99	264
Avalon at Oxford Hill	Creve Coeur, MO	4Q99	480
Avalon Heights	Madison Heights, MI	4Q99	225
Rivershore	Bay Pointe, CA	4Q99	245
Avalon at Hampton I	Hampton, VA	4Q99	187
Avalon at Hampton II	Hampton, VA	4Q99	231
Avalon Park	Manassas, VA	4Q99	372
Fairlane Woods (2)	Detroit, MI	4Q99	N/A
			---
			4,464
			=====

<CAPTION>

Communities	Debt	Gross sales price	Net proceeds
<S>	<C>	<C>	<C>
Blairmore	\$ --	\$13,250	\$ 12,991
Avalon at Park Center	--	44,250	43,820
Avalon at Lake Arbor	--	14,160	13,800
Avalon Station	--	12,734	12,500
Avalon Gayton	--	18,418	18,210
Avalon at Boulders	--	16,075	15,840
The Pointe (1)	--	24,350	23,833
Avalon at Willow Lake	--	14,350	14,055
Avalon at Geist	--	10,300	10,006
Avalon at Montgomery	--	15,600	15,379
Avalon at Oxford Hill	--	29,900	29,443
Avalon Heights	--	15,150	15,115
Rivershore	10,035	13,300	2,205
Avalon at Hampton I	8,060	10,547	1,961
Avalon at Hampton II	11,550	13,028	848
Avalon Park	--	25,800	25,612
Fairlane Woods (2)	--	25,300	25,300
	-----	-----	-----
	\$ 29,645	\$316,512	\$ 280,918
	=====	=====	=====

</TABLE>

(1) Proceeds from The Pointe were deposited into an escrow account to facilitate a like-kind exchange transaction.

(2) Fairlane Woods was a participating mortgage note, not an owned community.

In addition to assets disposed of in connection with this disposition strategy, the Company disposed of two communities in July 1998 in connection with an agreement executed by Avalon in March 1998 which provided for the buyout of certain limited partners in DownREIT V Limited Partnership. Net proceeds from the sale of the two communities, containing an aggregate of 758 apartment homes, were approximately \$44,000.

The following unaudited pro forma information has been prepared as if the communities sold in connection with the disposition strategy during 1999 and 1998 had been sold as of January 1, 1998. The pro forma financial information is presented for informational purposes only and is not necessarily indicative of what actual results would have been nor does it purport to represent the results of operations for future periods had the dispositions occurred as of January 1, 1998.

<TABLE>  
<CAPTION>

	Year Ended (Unaudited)	Year Ended (Unaudited)
	-----	-----
	12-31-99	12-31-98
<S>	<C>	<C>
Pro forma revenue	\$ 481,190	\$ 320,027
	=====	=====

Pro forma net income available to common stockholders	\$ 123,841 =====	\$ 79,525 =====
Per common share:		
Pro forma net income - basic	\$ 1.89 =====	\$ 1.56 =====
Pro forma net income - diluted	\$ 1.87 =====	\$ 1.54 =====

</TABLE>

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Management intends to market additional communities for sale during 2000. However, there can be no assurance that such assets will be sold, or that such sales will prove to be beneficial to the Company. The assets targeted for sale include land, buildings and improvements and furniture, fixtures and equipment, and are recorded at the lower of cost or fair value less estimated selling costs. The Company has not recognized a write-down in its real estate to arrive at net realizable value, although there can be no assurance that the Company can sell these assets for amounts that equal or exceed its estimates of net realizable value. At December 31, 1999 and 1998, total real estate, net of accumulated depreciation, subject to sale totaled \$164,758 and \$195,394, respectively. Certain individual assets are secured by mortgage indebtedness which may be assumed by the purchaser or repaid by the Company from the net sales proceeds.

The Company's consolidated statements of operations include net income of the communities held for sale at December 31, 1999 of \$11,361, \$10,262 and \$9,146 for the years ended December 31, 1999, 1998 and 1997, respectively.

8. Commitments and Contingencies

Presale Commitments

The Company occasionally enters into forward purchase commitments with unrelated third parties which allows the Company to purchase communities upon completion of construction. As of December 31, 1999, the Company has an agreement to purchase nine communities with an estimated 2,753 homes for an estimated aggregate purchase price of \$347,052. The Company expects these acquisitions to close at different times through 2002. However, there can be no assurance that such acquisitions will be consummated or consummated on the schedule currently contemplated. As of December 31, 1999 and 1998, the Company had provided interim construction financing of \$145,241 and \$67,129, respectively, for these communities.

Employment Agreements and Arrangements

The Company has entered into employment agreements with five executive officers. In addition, during 2000 and prior to March 1, 2000, three other senior officers entered into employment agreements, which are generally similar in structure to those entered into with executive officers but which do not provide for the same level of severance payments. The employment agreements provide for severance payments in the event of a termination of employment (except for a termination by the Company with cause or a voluntary termination by the employee). The initial term of these agreements ends on dates that vary between June 4, 2001 and March 29, 2002. The employment agreements provide for one-year automatic renewals after the initial term unless an advance notice of non-renewal is provided by either party. Upon a change in control, the agreements provide for an automatic extension of three years (two years in the case of senior officers). The employment agreements provide for base salary and incentive compensation in the form of cash awards, stock options and stock grants subject to the discretion of, and attainment of performance goals established by, the Compensation Committee of the Board of Directors.

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

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



## Contingencies

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

## 9. Value of Financial Instruments

The Company has historically used interest rate swap agreements (the "Swap Agreements") to reduce the impact of interest rate fluctuations on its variable rate tax-exempt bonds. The Swap Agreements are held for purposes other than trading. The amortization of the cost of the Swap Agreements is included in interest expense. The remaining unamortized cost of the Swap Agreements is included in prepaid expenses and other assets and is amortized over the remaining life of the agreements. As of December 31, 1999, the effect of these Swap Agreements is to fix \$190,765 of the Company's tax-exempt debt at an average interest rate of 6.1% with an average maturity of 7 years.

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

The Company has not entered into any interest rate hedge agreements or treasury locks for its conventional unsecured debt.

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

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

- Cash equivalents, rents receivable, accounts payable and accrued expenses, and other liabilities are carried at their face amounts, which reasonably approximate their fair values.
- The Company's unsecured credit facility with an aggregate carrying value of \$178,600 and \$329,000 at December 31, 1999 and 1998, respectively approximates fair value.

Bond indebtedness and notes payable with an aggregate carrying value of \$1,415,047 and \$1,155,371 had an estimated aggregate fair value of \$1,346,288 and \$1,137,411 at December 31, 1999 and 1998, respectively.

## 10. Segment Reporting

The Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," during 1998. SFAS No. 131 established standards for reporting financial and descriptive information about operating segments in annual financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision

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maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision making group consists primarily of the Company's senior officers.

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

- Stable Communities are communities that 1) have attained stabilized occupancy levels (at least 95% occupancy) and operating costs since the beginning of the prior calendar year (these communities are also known

as Established Communities); or 2) were acquired after the beginning of the previous calendar year but were stabilized in terms of occupancy levels and operating costs at the time of acquisition, and remained stabilized throughout the end of the current calendar year. Stable Communities do not include communities where planned redevelopment or development activities have not yet commenced. The primary financial measure for this business segment is Net Operating Income ("NOI"), which represents total revenue less operating expenses and property taxes. With respect to Established Communities, an additional financial measure of performance is NOI for the current year as compared against the prior year and against current year budgeted NOI. With respect to other Stable Communities, performance is primarily based on reviewing growth in NOI for the current period as compared against prior periods within the calendar year and against current year budgeted NOI.

- Developed Communities are communities which completed development and attained stabilized occupancy and expense levels during the prior calendar year of presentation. The primary financial measure for this business segment is Operating Yield (defined as NOI divided by total capitalized costs). Performance of Developed Communities is based on comparing Operating Yields against projected yields as determined by Management prior to undertaking the development activity.
- Redeveloped Communities are communities that completed redevelopment and attained stabilized occupancy and expense levels during the prior calendar year of presentation. The primary financial measure for this business segment is Operating Yield. Performance for Redeveloped Communities is based on comparing Operating Yields against projected yields as estimated by Management prior to undertaking the redevelopment activity.

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

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

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

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In addition to reporting segments based on the above property types, the Company previously reported results within these segments based on the East and West Coast geographic areas. This disclosure was provided as the East and West Coast geographic areas substantially reflected the operating communities of Avalon and Bay, respectively, prior to the Merger. Management currently reviews its operating segments by geographic regions, including Northern and Southern California, Pacific Northwest, Northeast, Mid-Atlantic and Midwest regions. Because the various locations within each individual region have similar economic and other characteristics, Management finds it useful to review the performance of the Company's communities in those locations on a regional, aggregated basis.

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

<TABLE>  
<CAPTION>

	Stable Communities	Developed Communities	Redeveloped Communities	Other	
Total	-----	-----	-----	-----	
<S>	<C>	<C>	<C>	<C>	
<C>					
FOR THE YEAR ENDED DECEMBER 31, 1999					
TOTAL, ALL SEGMENTS					
Total revenue	\$ 348,212	\$ 32,820	\$ 36,476	\$ 85,088	\$
502,596					

Net Operating Income	\$ 243,519	\$ 24,678	\$ 25,959	\$ 55,768	\$
349,924					
Gross real estate	\$ 2,386,523	\$ 225,841	\$ 288,511	\$ 1,088,557	\$
3,989,432					
NON-ALLOCATED OPERATIONS					
Total revenue	\$ --	\$ --	\$ --	\$ 1,948	\$
1,948					
Net Operating Income	\$ --	\$ --	\$ --	\$ 1,697	\$
1,697					
Gross real estate	\$ --	\$ --	\$ --	\$ 276,994	\$
276,994					
TOTAL, AVALONBAY					
Total revenue	\$ 348,212	\$ 32,820	\$ 36,476	\$ 87,036	\$
504,544					
Net Operating Income	\$ 243,519	\$ 24,678	\$ 25,959	\$ 57,465	\$
351,621					
Gross real estate	\$ 2,386,523	\$ 225,841	\$ 288,511	\$ 1,365,551	\$
4,266,426					
FOR THE YEAR ENDED DECEMBER 31, 1998					
TOTAL, ALL SEGMENTS					
Total revenue	\$ 266,371	\$ 13,032	\$ 5,907	\$ 83,927	\$
369,237					
Net Operating Income	\$ 183,799	\$ 9,572	\$ 3,744	\$ 54,516	\$
251,631					
Gross real estate	\$ 2,488,123	\$ 77,655	\$ 41,271	\$ 1,261,922	\$
3,868,971					
NON-ALLOCATED OPERATIONS					
Total revenue	\$ --	\$ --	\$ --	\$ 2,166	\$
2,166					
Net Operating Income	\$ --	\$ --	\$ --	\$ 1,915	\$
1,915					
Gross real estate	\$ --	\$ --	\$ --	\$ 137,485	\$
137,485					
TOTAL, AVALONBAY					
Total revenue	\$ 266,371	\$ 13,032	\$ 5,907	\$ 86,093	\$
371,403					
Net Operating Income	\$ 183,799	\$ 9,572	\$ 3,744	\$ 56,431	\$
253,546					
Gross real estate	\$ 2,488,123	\$ 77,655	\$ 41,271	\$ 1,399,407	\$
4,006,456					
FOR THE YEAR ENDED DECEMBER 31, 1997					
TOTAL, ALL SEGMENTS					
Total revenue	\$ 129,149	\$ 10,661	\$ --	\$ 30,102	\$
169,912					
Net Operating Income	\$ 85,799	\$ 7,464	\$ --	\$ 21,771	\$
115,034					
Gross real estate	\$ 1,043,662	\$ 67,119	\$ --	\$ 402,515	\$
1,513,296					
NON-ALLOCATED OPERATIONS					
Total revenue	\$ --	\$ --	\$ --	\$ 1,192	\$
1,192					
Net Operating Income	\$ --	\$ --	\$ --	\$ 410	\$
410					
Gross real estate	\$ --	\$ --	\$ --	\$ 21,690	\$
21,690					
TOTAL, AVALONBAY					
Total revenue	\$ 129,149	\$ 10,661	\$ --	\$ 31,294	\$
171,104					
Net Operating Income	\$ 85,799	\$ 7,464	\$ --	\$ 22,181	\$
115,444					
Gross real estate	\$ 1,043,662	\$ 67,119	\$ --	\$ 424,205	\$
1,534,986					

</TABLE>

Operating expenses as reflected on the Consolidated Statements of Operations include \$23,950, \$18,264 and \$6,048 for the years ended December 31, 1999, 1998 and 1997, respectively, of property management overhead costs that are not allocated to individual communities. These costs are not reflected in NOI as shown in the above tables. The amount reflected for "Communities held for sale" on the Consolidated Balance Sheets is net of \$18,141 and \$16,603 of accumulated depreciation as of December 31, 1999 and 1998, respectively.

In June 1998, the Company completed the Merger. For comparative purposes, the 1998 and 1997 segment information for the Company is presented below on a pro forma basis (unaudited) assuming the Merger had occurred as of January 1, 1997.

	Stable Communities	Developed Communities	Redeveloped Communities	Other
Total	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
<C>				
FOR THE YEAR ENDED 12-31-98				
Total revenue	\$ 254,213	\$ 51,570	24,173	\$ 116,837
\$ 446,793				
Net Operating Income	173,570	\$ 38,895	16,950	\$ 75,404
\$ 304,819				
Current gross real estate	\$2,107,129	\$277,958	\$221,961	\$1,279,957
\$3,887,005				
FOR THE YEAR ENDED 12-31-97				
Total revenue	\$ 204,696	\$ 10,661	\$ 2,926	\$ 77,851
\$ 296,134				
Net Operating Income	\$ 139,954	\$ 7,464	\$ 2,210	\$ 53,568
\$ 203,196				
Current gross real estate	\$1,535,521	\$ 67,119	\$ 17,797	\$1,262,942
\$2,883,379				

</TABLE>

#### 11. Stock-Based Compensation Plans

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

Under the Plan, a maximum of 2,500,000 shares of Common Stock, plus 9.9% of any net increase in the total number of shares of Common Stock actually outstanding from time to time after April 13, 1998, may be issued. Notwithstanding the foregoing, the maximum number of shares of stock for which Incentive Stock Options may be issued under the Plan shall not exceed 2,500,000 and no awards shall be granted under the Plan after April 13, 2008. For purposes of this limitation, shares of Common Stock which are forfeited, canceled and reacquired by the Company, satisfied without the issuance of Common Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Common Stock available for issuance under the Plan. Stock Options with respect to no more than 300,000 shares of stock may be granted to any one individual participant during any one calendar year period. Options granted to officers and employees under the Plan vest over periods determined by the Compensation Committee of the Board of Directors and expire ten years from the date of grant. Options granted to

non-employee directors under the Plan are subject to accelerated vesting under certain limited circumstances and become exercisable on the first anniversary of the date of grant and expire ten years from the date of grant. Restricted stock granted to officers and employees under the Plan vest over periods determined by the Compensation Committee of the Board of Directors which is generally four years, with 20% vesting immediately on the grant date and the remaining 80%

vesting equally over the next four years from the date of grant. Restricted stock granted to non-employee directors vests 20% on the date of issuance and 20% on each of the first four anniversaries of the date of issuance.

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

<TABLE>  
<CAPTION>

	Shares	Average Exercise Price Per Share
	-----	-----
<S>	<C>	<C>
Options outstanding, December 31, 1996 (1)	722,875	\$ 21.70
Exercised	(26,251)	21.13
Granted	394,100	36.35
Forfeited	(20,350)	26.43
	-----	-----
Options outstanding, December 31, 1997 (1)	1,070,374	\$ 27.02
Exercised	(164,924)	21.71
Granted	1,225,132	36.81
Forfeited	(244,500)	35.25
	-----	-----
Options outstanding, December 31, 1998 (1)	1,886,082	\$ 32.74
Exercised	(311,989)	25.44
Granted	993,084	32.24
Forfeited	(533,903)	36.25
	-----	-----
Options outstanding, December 31, 1999	2,033,274	\$ 32.63
	=====	=====
Options exercisable:		
December 31, 1997	343,974	\$ 20.91
	=====	=====
December 31, 1998	656,925	\$ 27.26
	=====	=====
December 31, 1999	682,110	\$ 30.33
	=====	=====

</TABLE>

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

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

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<TABLE>  
<CAPTION>

Options Outstanding				Options Exercisable	
Exercise Price	Number Outstanding as of December 31, 1999	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
\$18.38	60,000	5.24	\$ 18.38	60,000	\$ 18.38
19.25	6,000	5.35	19.25	6,000	19.25
19.63	19,450	5.55	19.63	19,450	19.63
20.00	101,300	4.19	20.00	101,300	20.00
20.50	6,000	4.27	20.50	6,000	20.50
23.38	40,000	6.07	23.38	30,000	23.38
25.38	15,000	6.33	25.38	15,000	25.38
27.75	44,700	6.66	27.75	37,200	27.75
31.50	216,500	9.80	31.50	--	--
31.50	50,000	9.80	31.50	--	--
32.00	458,220	9.13	32.00	--	--
32.25	8,000	9.85	32.25	--	--
32.56	10,000	9.09	32.56	--	--
33.69	1,500	9.55	33.69	--	--
33.75	1,500	8.97	33.75	500	33.75
33.75	6,500	8.97	33.75	2,165	33.75
33.81	6,000	9.78	33.81	--	--
33.94	10,000	9.01	33.94	--	--
34.38	30,000	7.38	34.38	30,000	34.38
34.81	1,500	9.49	34.81	--	--
35.31	768	9.64	35.31	--	--

35.31	768	9.71	35.31	--	--
35.38	4,000	9.69	35.38	--	--
35.44	6,000	9.69	35.44	--	--
35.63	1,500	9.68	35.63	--	--
36.00	70,000	9.36	36.00	--	--
36.06	768	9.36	36.06	--	--
36.13	90,000	8.44	36.13	90,000	36.13
36.31	107,100	8.43	36.13	35,664	36.31
36.31	245,000	8.43	36.31	81,585	36.31
36.31	85,500	8.43	36.31	28,472	36.31
36.63	142,700	7.07	36.63	82,700	36.63
36.63	29,500	8.56	36.63	9,824	36.63
37.94	130,000	8.08	37.94	32,500	37.94
38.81	20,000	7.84	38.81	10,000	38.81
39.63	7,500	7.73	39.63	3,750	39.63
=====	=====	=====	=====	=====	=====
	2,033,274	8.23	\$ 32.63	682,110	\$ 30.33
=====	=====	=====	=====	=====	=====

</TABLE>

Options to purchase 3,637,724, 4,488,189 and 348,400 shares of Common Stock were available for grant under the Plan at December 31, 1999, 1998 and 1997, respectively.

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

Under the Avalon 1995 Incentive Plan, a maximum number of 3,315,054 shares (or 2,546,956 shares as adjusted for the Merger) of common stock were issuable, plus any shares of common stock represented by awards under Avalon's 1993 Stock Option and Incentive Plan (the "Avalon 1993 Plan") that were forfeited, canceled, reacquired by Avalon, satisfied without the issuance of common

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stock or otherwise terminated (other than by exercise). Options granted to officers, non-employee directors and associates under the Avalon 1995 Incentive Plan generally vested over a three-year term, expire ten years from the date of grant and are exercisable at the market price on the date of grant.

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

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

<TABLE>  
<CAPTION>

	Shares	Weighted Average Exercise Price Per Share
<S>	<C>	<C>
Options outstanding, December 31, 1996	810,557	\$ 26.99
Exercised	(34,814)	26.83
Granted	930,411	38.02
Forfeited	(2,806)	28.89
Options outstanding, December 31, 1997	1,703,348	\$ 33.01
Exercised	(49,375)	36.12
Granted	464,227	37.60
Forfeited	(65,946)	38.00
Options outstanding, December 31, 1998	2,052,254	\$ 34.05
Exercised	(172,977)	26.97
Granted	--	--
Forfeited	(50,940)	37.61
Options outstanding, December 31, 1999	1,828,337	\$ 34.63
=====	=====	=====
Options exercisable:		
December 31, 1997	722,023	\$ 26.84
=====	=====	=====

December 31, 1998	1,014,530	\$ 30.26
	=====	=====
December 31, 1999	1,268,520	\$ 33.22
	=====	=====

</TABLE>

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

<TABLE>  
<CAPTION>

Options Outstanding				Options Exercisable	
Exercise Price	Number Outstanding as of December 31, 1999	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
\$26.19	15,366	5.37	\$ 26.19	15,366	\$ 26.19
26.68	433,876	3.86	26.68	433,876	26.68
26.68	7,683	3.86	26.68	7,683	26.68
27.33	29,529	5.35	27.33	29,529	27.33
27.33	2,305	6.04	27.33	2,305	27.33
27.33	1,152	7.96	27.33	769	27.33
28.15	21,001	6.48	28.15	21,001	28.15
28.31	15,366	6.37	28.31	15,366	28.31
30.10	4,610	4.37	30.10	4,610	30.10
30.26	4,610	6.69	30.26	4,610	30.26
34.98	9,604	6.96	34.98	9,604	34.98
35.31	30,732	7.36	35.31	30,732	35.31
36.44	1,921	7.68	36.44	1,281	36.44
36.61	50,452	8.41	36.61	16,799	36.61
36.69	1,921	8.32	36.69	640	36.69
37.18	5,762	8.37	37.18	1,919	37.18
37.26	384	8.27	37.26	-	-
37.58	355,000	8.19	37.58	118,215	37.58
37.66	35,726	7.87	37.66	23,829	37.66
38.15	782,898	7.83	38.15	522,193	38.15
38.72	768	7.86	38.72	512	38.72
39.29	3,457	7.96	39.29	2,306	39.29
39.70	1,921	7.80	39.70	1,281	39.70
39.86	12,293	8.01	39.86	4,094	39.86
	=====	=====	=====	=====	=====
	1,828,337	6.84	\$ 34.63	1,268,520	\$ 33.22
	=====	=====	=====	=====	=====

</TABLE>

As of June 4, 1998, the date of the Merger, options ceased to be granted under the Avalon 1995 Incentive Plan. Accordingly, there were no options to purchase shares of Common Stock available for grant under the Avalon 1995 Incentive Plan at December 31, 1999 or 1998. Options to purchase 561,232 shares of Common Stock were available for grant under the Avalon 1995 Incentive Plan at December 31, 1997.

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its Plans. Accordingly, no compensation expense has been recognized for the stock option portion of the stock-based compensation plan. Had compensation expense for the Company's stock option plan been determined based on the fair value at the grant date for awards under the Plan consistent with the methodology prescribed under SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the following pro forma amounts (unaudited):

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<TABLE>  
<CAPTION>

Pro Forma			
Year ended	Year ended	Year	
12-31-99	12-31-98	12-31-97	
<S>	<C>	<C>	<C>

Income before extraordinary items	\$ 171,748	\$ 121,198	\$ 65,505
	=====	=====	=====
Net income	\$ 171,748	\$ 120,953	\$ 64,322
	=====	=====	=====
Income before extraordinary item per common share - basic	\$ 2.01	\$ 1.82	\$ 1.62
	=====	=====	=====
Income before extraordinary item per common share - diluted	\$ 2.00	\$ 1.80	\$ 1.61
	=====	=====	=====
Net income per share - basic	\$ 2.01	\$ 1.82	\$ 1.57
	=====	=====	=====
Net income per share - diluted	\$ 2.00	\$ 1.79	\$ 1.56
	=====	=====	=====

</TABLE>

The fair value of the options granted during 1999 is estimated at \$3.40 per share on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 6.10%, volatility of 17.04%, risk free interest rates of 5.54%, actual number of forfeitures, and an expected life of approximately 3 years. The fair value of the options granted during 1998 is estimated at \$3.72 per share on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 5.96%, volatility of 16.77%, risk free interest rates of 5.55%, actual number of forfeitures, and an expected life of approximately 3 years. The fair value of the options granted during 1997 is estimated at \$5.13 per share on the date of grant using the Binomial option pricing model with the following assumptions: dividend yield ranging from 5.0% to 5.5%, volatility factor of the expected market price of the Company's Common Stock of .142, risk free interest rate ranging from 5.8% to 6.7% and a weighted-average expected life of the options of 8 years.

In connection with the Merger, the Company adopted the 1996 Non-Qualified Employee Stock Purchase Plan, as amended and restated (the "1996 ESP Plan"). The primary purpose of the 1996 ESP Plan is to encourage Common Stock ownership by eligible directors, officers and associates (the "Participants") in the belief that such ownership will increase each Participant's interest in the success of the Company. Until January 1, 2000, the 1996 ESP Plan provided for two purchase periods per year. A purchase period was a six month period beginning each January 1 and July 1 and ending each June 30 and December 31, respectively. Beginning on January 1, 2000, there will be one purchase period per year, which will begin May 1 and end October 31. Participants may contribute portions of their compensation during a purchase period and purchase Common Stock at the end thereof. One million shares of Common Stock are reserved for issuance under the 1996 ESP Plan. Participation in the 1996 ESP Plan entitles each Participant to purchase Common Stock at a price which is equal to the lesser of 85% of the closing price for a share of stock on the first day of such purchase period or 85% of the closing price on the last day of such purchase period. The Company issued 35,408 and 23,396 shares under the 1996 ESP Plan for the two purchase periods during the years ending December 31, 1999 and 1998, respectively.

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12. Quarterly Financial Information (Unaudited)

The following summary represents the quarterly results of operations for the years ended December 31, 1999 and 1998:

<TABLE>

<CAPTION>

	Three months ended			
	March 31	June 30	September 30	December 31
1999				
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Total revenue	\$ 118,632	\$ 122,822	\$ 130,747	\$ 132,343
Net income available to common stockholders	\$ 6,355	\$ 52,977	\$ 24,336	\$ 48,829
Net income per common share - basic	\$ 0.10	\$ 0.81	\$ 0.37	\$ 0.74
Net income per common share - diluted	\$ 0.10	\$ 0.80	\$ 0.37	\$ 0.73

</TABLE>

<TABLE>

<CAPTION>

	Three months ended			
	March 31	June 30	September 30	December 31
1998				
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Total revenue	\$ 56,370	\$ 77,297	\$ 118,129	\$ 119,607
Net income available to common stockholders	\$ 13,955	\$ 13,815	\$ 22,089	\$ 45,544
Net income per common share - basic	\$ 0.43	\$ 0.33	\$ 0.34	\$ 0.71
Net income per common share - diluted	\$ 0.42	\$ 0.32	\$ 0.34	\$ 0.70

</TABLE>



The sum of the quarterly net income per common share, basic and diluted, for 1998 are not equal to the full year amounts primarily because of fluctuations in quarterly net income during the year.

13. Subsequent Events

During January 2000, the Company sold one community, Avalon Chase, a 360 apartment home community located in Marlton, New Jersey. The net proceeds of approximately \$29,325 from the sale of this community will be redeployed to development and redevelopment communities. Pending such redeployment, the proceeds from the sale of this community were primarily used to repay amounts outstanding under the Company's Unsecured Facility.

During January 2000, the Company entered into a joint venture agreement with an entity controlled by Multi-Employer Development Partners ("MEDP") to develop Avalon on the Sound, a 412 apartment high rise community in New Rochelle, New York with total capitalized costs estimated to be \$93,300. The terms of the limited liability company agreement anticipate a capital structure, after completion of construction, that is comprised of 60% equity and 40% debt. Equity contributions will be funded 25% by the Company and 75% by MEDP. Construction financing that converts to long-term financing following completion will provide the debt capital. Operating cash flow will be distributed 25% to the Company and 75% to MEDP until each receives a 9% return on invested capital. Thereafter, operating cash flow will be distributed equally to the Company and MEDP. Upon a sale to a third party, cash is distributed first to each partner until capital contributions are recovered. Thereafter, sales proceeds are distributed based upon achievement of certain internal rate of return levels ("IRR"). Distributions that result in an IRR to MEDP and the Company of 12-15% are made 40% to the Company and 60% to MEDP. Thereafter, sales proceeds are distributed equally to the Company and MEDP. Following the third year after completion of construction, buy-sell provisions are in effect. The Company will receive construction, development and management fees for services rendered to the joint venture.

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SCHEDULE III

AVALONBAY COMMUNITIES, INC.  
 REAL ESTATE AND ACCUMULATED DEPRECIATION  
 December 31, 1999  
 (Dollars in thousands)

<TABLE>  
 <CAPTION>

	Initial Cost		Costs
	Land	Building/ Construction in Progress & Improvements	Subsequent to Acquisition/ Construction
<S>	<C>	<C>	<C>
Current Communities			
Waterford	11,324	45,717	736
Hampton Place	10,746	43,399	444
Hacienda Gardens	11,610	46,552	800
Amador Oaks	5,276	19,651	1,788
Willow Creek	6,581	26,583	480
Alicante	4,271	17,282	456
Barrington Hills	3,574	14,357	427
Parc Centre at Union Square	4,249	16,820	489
Governor's Square	3,316	13,244	4,431
Crown Ridge	5,982	16,885	7,572
Sunset Towers	3,561	21,324	3,205
City Heights	5,403	21,567	422
Village Square	4,726	19,130	196
Avalon Towers by the Bay	9,154	56,240	469
Crossbrook	3,389	14,816	780
Cedar Ridge	4,230	9,666	11,629
Regatta Bay	7,852	31,445	1,397
Sea Ridge	6,125	24,796	60
Toscana	20,713	99,425	-
Carriage Square	11,933	48,313	406
Canyon Creek	11,830	47,828	171
CountryBrook	9,384	34,794	3,343
The Arbors	3,414	15,473	12,675
Avalon at Creekside	6,546	26,301	4,931
The Fountains at River Oaks	8,904	35,126	1,540
Parkside Commons	7,406	29,823	142

Villa Mariposa	9,755	39,419	207
San Marino	6,607	26,673	206
The Promenade	6,786	27,388	167
Foxchase I & II	11,340	45,532	784
Glen Creek	3,598	14,527	212
Fairway Glen	3,341	13,338	368
CentreMark	9,099	39,244	504
Avalon on the Alameda	5,396	50,009	404
Rosewalk at Waterford Park I	11,177	44,896	167
Rosewalk at Waterford Park II	4,637	16,750	234
ViewPointe	23,828	40,375	6,626
Lakeside	22,483	28,207	5,056
Avalon Westside Terrace	5,878	23,708	7,221
Arbor Heights	2,984	17,927	8,547
Warner Oaks	7,045	12,986	6,037
TimberWood	1,210	8,607	4,919
SunScape	6,663	21,647	8,675
Avalon at Pacific Bay	4,871	19,745	7,076
Mill Creek	4,709	16,063	3,362
Villa Serena	4,607	17,001	1,933

<CAPTION>

	Total Cost		
	-----		
	Land	Building/ Construction in Progress & Improvements	Total
	-----	-----	-----
<S>	<C>	<C>	<C>
Current Communities			
Waterford	11,324	46,453	57,777
Hampton Place	10,746	43,843	54,589
Hacienda Gardens	11,610	47,352	58,962
Amador Oaks	5,276	21,439	26,715
Willow Creek	6,581	27,063	33,644
Alicante	4,271	17,738	22,009
Barrington Hills	3,574	14,784	18,358
Parc Centre at Union Square	4,249	17,309	21,558
Governor's Square	3,316	17,675	20,991
Crown Ridge	5,982	24,457	30,439
Sunset Towers	3,561	24,529	28,090
City Heights	5,403	21,989	27,392
Village Square	4,726	19,326	24,052
Avalon Towers by the Bay	9,154	56,709	65,863
Crossbrook	3,389	15,596	18,985
Cedar Ridge	4,230	21,295	25,525
Regatta Bay	7,852	32,842	40,694
Sea Ridge	6,125	24,856	30,981
Toscana	20,713	99,425	120,138
Carriage Square	11,933	48,719	60,652
Canyon Creek	11,830	47,999	59,829
CountryBrook	9,384	38,137	47,521
The Arbors	3,414	28,148	31,562
Avalon at Creekside	6,546	31,232	37,778
The Fountains at River Oaks	8,904	36,666	45,570
Parkside Commons	7,406	29,965	37,371
Villa Mariposa	9,755	39,626	49,381
San Marino	6,607	26,879	33,486
The Promenade	6,786	27,555	34,341
Foxchase I & II	11,340	46,316	57,656
Glen Creek	3,598	14,739	18,337
Fairway Glen	3,341	13,706	17,047
CentreMark	9,099	39,748	48,847
Avalon on the Alameda	5,396	50,413	55,809
Rosewalk at Waterford Park I	11,177	45,063	56,240
Rosewalk at Waterford Park II	4,637	16,984	21,621
ViewPointe	23,828	47,001	70,829
Lakeside	22,483	33,263	55,746
Avalon Westside Terrace	5,878	30,929	36,807
Arbor Heights	2,984	26,474	29,458
Warner Oaks	7,045	19,023	26,068
TimberWood	1,210	13,526	14,736
SunScape	6,663	30,322	36,985
Avalon at Pacific Bay	4,871	26,821	31,692
Mill Creek	4,709	19,425	24,134
Villa Serena	4,607	18,934	23,541

<CAPTION>

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

<S>	<C>	<C>	<C>	<C>
Current Communities				
Waterford	2,601	55,176	33,100	1985/86
Hampton Place	2,404	52,185	-	1992/94
Hacienda Gardens	2,612	56,350	-	1988/94
Amador Oaks	1,188	25,527	-	1989/97
Willow Creek	1,642	32,002	-	1985/94
Alicante	971	21,038	-	1992/94
Barrington Hills	827	17,531	12,843	1986/94
Parc Centre at Union Square	967	20,591	-	1973/96
Governor's Square	816	20,175	13,923	1976/97
Crown Ridge	1,367	29,072	-	1973/96
Sunset Towers	1,499	26,591	-	1961/96
City Heights	1,219	26,173	20,263	1990/95
Village Square	1,058	22,994	-	1972/94
Avalon Towers by the Bay	477	65,386	-	1999
Crossbrook	793	18,192	8,273	1986/94
Cedar Ridge	1,133	24,392	-	1975/97
Regatta Bay	1,829	38,865	-	1973/94
Sea Ridge	1,364	29,617	17,026	1971/95
Toscana	4,993	115,145	-	1997
Carriage Square	2,672	57,980	-	1995
Canyon Creek	2,585	57,244	37,535	1995
CountryBrook	2,126	45,395	19,264	1985/96
The Arbors	1,219	30,343	12,870	1966/97
Avalon at Creekside	1,494	36,284	-	1962/97
The Fountains at River Oaks	1,978	43,592	-	1990/96
Parkside Commons	1,647	35,724	-	1991/96
Villa Mariposa	2,144	47,237	18,300	1986
San Marino	1,482	32,004	-	1984/88
The Promenade	1,522	32,819	-	1987/95
Foxchase I & II	2,411	55,245	26,400	1986/87
Glen Creek	821	17,516	-	1989
Fairway Glen	748	16,299	9,580	1986
CentreMark	1,467	47,380	-	1999
Avalon on the Alameda	1,018	54,791	-	1999
Rosewalk at Waterford Park I	2,473	53,767	-	1997
Rosewalk at Waterford Park II	428	21,193	-	1999
ViewPointe	2,730	68,099	-	1989/97
Lakeside	2,097	53,649	-	1969/97
Avalon Westside Terrace	1,440	35,367	-	1966/97
Arbor Heights	1,191	28,267	-	1970/97
Warner Oaks	840	25,228	-	1979/98
TimberWood	787	13,949	-	1972/97
SunScape	1,854	35,131	-	1972/97
Avalon at Pacific Bay	1,171	30,521	-	1971/97
Mill Creek	1,098	23,036	-	1973/96
Villa Serena	1,077	22,464	-	1990/97

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AVALONBAY COMMUNITIES, INC.  
REAL ESTATE AND ACCUMULATED DEPRECIATION  
December 31, 1999  
(Dollars in thousands)

<TABLE>  
<CAPTION>

<S>	Initial Cost		
	Land	Building/ Construction in Progress & Improvements	Costs Subsequent to Construction
	<C>	<C>	<C>
Amberway	10,285	7,249	3,455
Laguna Brisas	656	16,588	1,376
Lafayette Place	1,975	3,831	4,283
Larkspur Canyon	2,517	9,258	1,079
Mission Bay Club	9,922	40,633	10,001
Gateway Tower	2,768	20,134	1,424
Mission Woods	2,710	10,924	7,910
SummerWalk	2,760	9,391	1,946
Waterhouse Place	2,109	13,514	5,048
The Verandas at Bear Creek	6,786	27,035	561
Gallery Place	4,558	17,504	3,872
Avalon Ridge	3,066	18,268	7,258
Avalon Westhaven	2,316	6,769	3,434
Avalon at Prudential Center	25,811	103,233	2,893
Longwood Towers	4,219	35,484	2,102

Avalon at Center Place	-	26,816	179
Avalon Summit	1,743	14,654	71
Avalon at Lexington	2,124	12,599	189
Avalon at Faxon Park	1,136	13,960	135
Avalon West	943	9,881	-
Avalon Oaks	2,129	18,139	306
Avalon Walk I & II	9,102	48,796	736
Avalon Glen	5,956	23,993	774
Avalon Gates	4,414	31,305	46
Hanover Hall	7,510	29,750	1,635
Avalon Springs	2,116	14,512	1
Avalon Valley	2,277	22,516	402
Avalon Lake	3,314	13,163	203
Avalon Pavilions	11,256	45,159	1,093
Avalon Commons	4,679	28,552	24
Avalon Towers	3,118	12,712	604
Avalon Court	3,083	15,862	9
Avalon Cove	8,760	82,356	40
The Tower at Avalon Cove	3,738	43,002	404
Avalon Chase	4,718	18,992	220
Avalon Watch	5,585	22,394	759
Avalon Crest	11,468	42,899	526
Avalon Run East	1,579	14,668	-
Avalon Gardens	8,428	45,561	149
Avalon View	3,529	14,140	262
Avalon Green	1,820	10,525	187
The Avalon	2,489	25,466	173
Avalon at Fairway Hills I & II	8,612	34,463	708
Avalon at Symphony Glen	1,594	6,384	528
Avalon Landing	1,849	7,409	167
Avalon Birches	2,678	10,842	281
Avalon Pines	1,714	6,958	121
Avalon at Ballston - Vermont & Quincy Towers	9,340	37,360	173
Avalon Crescent	13,851	43,401	-

<CAPTION>

	Total Cost		
	-----		
	Land	Building/ Construction in Progress & Improvements	Total
	-----	-----	-----
<S>	<C>	<C>	<C>
Amberway	10,285	10,704	20,989
Laguna Brisas	656	17,964	18,620
Lafayette Place	1,975	8,114	10,089
Larkspur Canyon	2,517	10,337	12,854
Mission Bay Club	9,922	50,634	60,556
Gateway Tower	2,768	21,558	24,326
Mission Woods	2,710	18,834	21,544
SummerWalk	2,760	11,337	14,097
Waterhouse Place	2,109	18,562	20,671
The Verandas at Bear Creek	6,786	27,596	34,382
Gallery Place	4,558	21,376	25,934
Avalon Ridge	3,066	25,526	28,592
Avalon Westhaven	2,316	10,203	12,519
Avalon at Prudential Center	25,811	106,126	131,937
Longwood Towers	4,219	37,586	41,805
Avalon at Center Place	-	26,995	26,995
Avalon Summit	1,743	14,725	16,468
Avalon at Lexington	2,124	12,788	14,912
Avalon at Faxon Park	1,136	14,095	15,231
Avalon West	943	9,881	10,824
Avalon Oaks	2,129	18,445	20,574
Avalon Walk I & II	9,102	49,532	58,634
Avalon Glen	5,956	24,767	30,723
Avalon Gates	4,414	31,351	35,765
Hanover Hall	7,510	31,385	38,895
Avalon Springs	2,116	14,513	16,629
Avalon Valley	2,277	22,918	25,195
Avalon Lake	3,314	13,366	16,680
Avalon Pavilions	11,256	46,252	57,508
Avalon Commons	4,679	28,576	33,255
Avalon Towers	3,118	13,316	16,434
Avalon Court	3,083	15,871	18,954
Avalon Cove	8,760	82,396	91,156
The Tower at Avalon Cove	3,738	43,406	47,144
Avalon Chase	4,718	19,212	23,930
Avalon Watch	5,585	23,153	28,738
Avalon Crest	11,468	43,425	54,893
Avalon Run East	1,579	14,668	16,247
Avalon Gardens	8,428	45,710	54,138
Avalon View	3,529	14,402	17,931
Avalon Green	1,820	10,712	12,532

The Avalon	2,489	25,639	28,128
Avalon at Fairway Hills I & II	8,612	35,171	43,783
Avalon at Symphony Glen	1,594	6,912	8,506
Avalon Landing	1,849	7,576	9,425
Avalon Birches	2,678	11,123	13,801
Avalon Pines	1,714	7,079	8,793
Avalon at Ballston - Vermont & Quincy Towers	9,340	37,533	46,873
Avalon Crescent	13,851	43,401	57,252

<CAPTION>

	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Encumbrances	Year of Completion/ Acquisition
--	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Amberway	569	20,420	-	1983/98
Laguna Brisas	1,076	17,544	10,400	1988/98
Lafayette Place	465	9,624	-	1956/96
Larkspur Canyon	594	12,260	7,445	1984/96
Mission Bay Club	2,287	58,269	-	1969/97
Gateway Tower	1,301	23,025	-	1973/98
Mission Woods	1,043	20,501	-	1960/97
SummerWalk	650	13,447	-	1982/97
Waterhouse Place	979	19,692	-	1990/97
The Verandas at Bear Creek	1,488	32,894	-	1998
Gallery Place	1,230	24,704	11,272	1991/97
Avalon Ridge	1,112	27,480	18,755	1987/88
Avalon Westhaven	543	11,976	-	1989/97
Avalon at Prudential Center	5,300	126,637	-	1998
Longwood Towers	4,232	37,573	-	1993
Avalon at Center Place	2,267	24,728	-	1997
Avalon Summit	1,823	14,645	-	1996
Avalon at Lexington	2,280	12,632	14,602	1994
Avalon at Faxon Park	967	14,264	-	1998
Avalon West	1,155	9,669	8,632	1996
Avalon Oaks	538	20,036	-	1999
Avalon Walk I & II	8,691	49,943	12,541	1992/94
Avalon Glen	4,432	26,291	-	1991
Avalon Gates	2,752	33,013	-	1997
Hanover Hall	1,146	37,749	-	1961/98
Avalon Springs	1,383	15,246	-	1996
Avalon Valley	508	24,687	-	1999
Avalon Lake	293	16,387	-	1999
Avalon Pavilions	8,873	48,635	-	1990/92
Avalon Commons	2,366	30,889	-	1997
Avalon Towers	1,728	14,706	-	1995
Avalon Court	1,211	17,743	-	1997
Avalon Cove	8,054	83,102	-	1997
The Tower at Avalon Cove	988	46,156	-	1999
Avalon Chase	2,225	21,705	-	1996
Avalon Watch	4,629	24,109	-	1988
Avalon Crest	843	54,050	-	1999
Avalon Run East	1,623	14,624	-	1996
Avalon Gardens	3,063	51,075	-	1998
Avalon View	2,819	15,112	18,795	1993
Avalon Green	1,610	10,922	-	1995
The Avalon	318	27,810	-	1999
Avalon at Fairway Hills I & II	4,659	39,124	11,500	1987/96
Avalon at Symphony Glen	1,377	7,129	9,780	1986
Avalon Landing	1,178	8,247	6,721	1995
Avalon Birches	1,723	12,078	-	1995
Avalon Pines	852	7,941	5,226	1996
Avalon at Ballston - Vermont & Quincy Towers	3,553	43,320	-	1997
Avalon Crescent	3,880	53,372	-	1996

</TABLE>

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AVALONBAY COMMUNITIES, INC.  
REAL ESTATE AND ACCUMULATED DEPRECIATION  
December 31, 1999  
(Dollars in thousands)

<TABLE>  
<CAPTION>

Initial Cost

	Land	Building/ Construction in Progress & Improvements	Costs Subsequent to Construction
<S>	<C>	<C>	<C>
Avalon at Ballston - Washington Towers	7,291	29,177	540
Avalon at Cameron Court	10,292	32,569	362
AutumnWoods	6,096	24,400	294
Avalon at Fair Lakes	4,334	19,091	36
Avalon at Dulles	2,302	9,215	227
Avalon at Providence Park	2,152	8,907	91
Avalon Woods	1,490	6,643	528
Avalon at Decoverly	6,157	24,800	301
Avalon Knoll	1,528	6,136	509
Avalon Fields I & II	4,047	18,431	186
Avalon Crossing	2,207	11,683	-
4100 Massachusetts Avenue	6,848	27,614	681
Avalon at Danada Farms	7,535	30,444	89
Avalon at West Grove	5,149	21,473	2,537
Avalon at Stratford Green	4,326	17,569	13
Avalon at Devonshire	7,250	29,641	21
The Gates of Edinburg	3,541	14,758	136
Avalon at Town Centre	3,450	14,449	37
Avalon at Town Square	2,099	8,642	12
Avalon at Woodbury	5,033	20,470	5
	679,750	2,885,715	196,046
Development Communities			
Avalon Corners	4,214	25,963	-
Avalon Court North	3,996	34,515	-
Avalon Willow	4,139	34,963	-
Avalon at Fox Mill	1,989	16,894	-
Avalon Essex	-	14,727	-
Avalon Haven	-	3,033	-
Avalon at Florham Park	-	16,880	-
Avalon River Mews	-	20,747	-
Avalon Bellevue	-	9,543	-
Avalon at Arlington Square I	-	25,859	-
Avalon on the Sound	-	4,022	-
Avalon Estates	-	2,623	-
	14,338	209,769	-
Corporate	3,579	10,596	266,633
	697,667	3,106,080	462,679

<CAPTION>

	Land	Building/ Construction in Progress & Improvements	Total
<S>	<C>	<C>	<C>
Avalon at Ballston - Washington Towers	7,291	29,717	37,008
Avalon at Cameron Court	10,292	32,931	43,223
AutumnWoods	6,096	24,694	30,790
Avalon at Fair Lakes	4,334	19,127	23,461
Avalon at Dulles	2,302	9,442	11,744
Avalon at Providence Park	2,152	8,998	11,150
Avalon Woods	1,490	7,171	8,661
Avalon at Decoverly	6,157	25,101	31,258
Avalon Knoll	1,528	6,645	8,173
Avalon Fields I & II	4,047	18,617	22,664
Avalon Crossing	2,207	11,683	13,890
4100 Massachusetts Avenue	6,848	28,295	35,143
Avalon at Danada Farms	7,535	30,533	38,068
Avalon at West Grove	5,149	24,010	29,159
Avalon at Stratford Green	4,326	17,582	21,908
Avalon at Devonshire	7,250	29,662	36,912
The Gates of Edinburg	3,541	14,894	18,435
Avalon at Town Centre	3,450	14,486	17,936
Avalon at Town Square	2,099	8,654	10,753
Avalon at Woodbury	5,033	20,475	25,508
	679,750	3,081,761	3,761,511

Development Communities			
Avalon Corners	4,214	25,963	30,177
Avalon Court North	3,996	34,515	38,511
Avalon Willow	4,139	34,963	39,102
Avalon at Fox Mill	1,989	16,894	18,883
Avalon Essex	-	14,727	14,727
Avalon Haven	-	3,033	3,033
Avalon at Florham Park	-	16,880	16,880
Avalon River Mews	-	20,747	20,747
Avalon Bellevue	-	9,543	9,543
Avalon at Arlington Square I	-	25,859	25,859
Avalon on the Sound	-	4,022	4,022
Avalon Estates	-	2,623	2,623
	14,338	209,769	224,107
Corporate	3,579	277,229	280,808
	697,667	3,568,759	4,266,426

<CAPTION>

	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Encumbrances	Year of Completion/ Acquisition
<S>	<C>	<C>	<C>	<C>
Avalon at Ballston - Washington Towers	5,524	31,484	-	1990
Avalon at Cameron Court	1,949	41,274	-	1998
AutumnWoods	2,479	28,311	-	1996
Avalon at Fair Lakes	1,266	22,195	-	1998
Avalon at Dulles	1,895	9,849	12,360	1986
Avalon at Providence Park	752	10,398	-	1997
Avalon Woods	1,461	7,200	-	1994
Avalon at Decoverly	3,471	27,787	-	1995
Avalon Knoll	1,579	6,594	13,580	1985
Avalon Fields I & II	2,045	20,619	11,756	1998
Avalon Crossing	1,275	12,615	-	1996
4100 Massachusetts Avenue	4,881	30,262	-	1982
Avalon at Danada Farms	2,050	36,018	-	1997
Avalon at West Grove	1,524	27,635	-	1967
Avalon at Stratford Green	1,190	20,718	-	1997
Avalon at Devonshire	2,062	34,850	27,305	1988
The Gates of Edinburg	834	17,601	-	1992
Avalon at Town Centre	988	16,948	-	1986
Avalon at Town Square	599	10,154	-	1986
Avalon at Woodbury	338	25,170	-	1999
	219,118	3,542,393	430,047	
Development Communities				
Avalon Corners	135	30,042	-	
Avalon Court North	269	38,242	-	
Avalon Willow	502	38,600	-	
Avalon at Fox Mill	129	18,754	-	
Avalon Essex	-	14,727	-	
Avalon Haven	-	3,033	-	
Avalon at Florham Park	-	16,880	-	
Avalon River Mews	-	20,747	-	
Avalon Bellevue	-	9,543	-	
Avalon at Arlington Square I	-	25,859	-	
Avalon on the Sound	-	4,022	-	
Avalon Estates	-	2,623	-	
	1,035	223,072	-	
Corporate	4,950	275,858	-	
	225,103	4,041,323	430,047	

</TABLE>

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AVALONBAY COMMUNITIES, INC.  
REAL ESTATE AND ACCUMULATED DEPRECIATION  
December 31, 1999  
(Dollars in thousands)

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

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

The aggregate cost of total real estate for Federal income tax purposes was approximately \$4.3 billion at December 31, 1999.

The changes in total real estate assets for the years ended December 31, 1999, 1998 and 1997 are as follows:

<TABLE>  
<CAPTION>

	Years ended December 31,		
	1999	1998 (Revised)	1997 (Revised)
<S>	<C>	<C>	<C>
Balance, beginning of period	\$ 4,006,456	\$1,534,986	\$1,081,906
Acquisitions, Construction Costs and Improvements	519,381	2,622,427	515,976
Reclassification to investments in JV's	--	--	(45,527)
Dispositions	(259,411)	(150,957)	(17,369)
Balance, end of period	\$ 4,266,426	\$4,006,456	\$1,534,986

</TABLE>

The changes in accumulated depreciation for the years ended December 31, 1999, 1998 and 1997, are as follows:

<TABLE>  
<CAPTION>

	Years ended December 31,		
	1999	1998 (Revised)	1997 (Revised)
<S>	<C>	<C>	<C>
Balance, beginning of period	\$ 137,374	\$ 69,932	\$ 44,547
Depreciation for period	107,928	75,614	26,854
Dispositions	(20,199)	(8,172)	(1,469)
Balance, end of period	\$ 225,103	\$137,374	\$69,932

</TABLE>



August 26, 1999

Ms. Debra L. Shotwell  
1272 Chianti Court  
Pleasanton, CA 94566

Dear Debbie:

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

1. Resignation Date. Your resignation from employment as Senior Vice President-Administration and all other offices and positions with the Company shall be effective August 10, 1999 ("Date of Resignation"). By entering into this Agreement, you are also acknowledging your resignation, as of the Date of Resignation, as a director or officer of any entity that is related or affiliated to the Company.

2. Severance Pay. In recognition of your service to the Company, and in full satisfaction of any and all claims you may have against the Company (other than with respect to payment of accrued base salary through the Date of Resignation, your rights under restricted stock agreements and option agreements, and any benefits you may be entitled to through December 31, 1999 as a result of prepaid premiums that the Company may have heretofore paid under your split dollar life and disability plans) as more fully set forth in Section 4, promptly after execution of this Agreement the Company shall pay to you One Hundred Fifty Thousand Dollars (\$150,000), subject to applicable deductions and withholdings and less any monies you owe to the Company on account of loans that the Company previously made to you (approximately \$8,400).

3. Restricted Stock and Stock Options.

(a) Your right to exercise following the Date of Resignation any stock options you may have shall be governed by the provisions regarding such options in the applicable stock option agreements and the applicable stock option plan of the Company. For convenience, Exhibit A hereto sets forth the options (with applicable option exercise prices and expiration dates) in which you are vested as of the Date of Resignation. You acknowledge that all other options have lapsed or will terminate.

(b) For convenience, Exhibit B sets forth a list of all shares of restricted stock you were granted and that (to the extent you have not already disposed of) you will retain following the Date of Resignation. To the extent the Company has not already done so, upon the execution of this Agreement the Company shall promptly deliver to you certificates representing such shares with no restrictive legends, and such shares shall be freely transferable by you subject to applicable securities laws.

Ms. Debra L. Shotwell  
August 26, 1999  
Page 2

(c) You acknowledge that the Company has advised you to consult an attorney regarding your continued obligations under Section 16 of the Securities Exchange Act of 1934, as amended, as well as other federal and state securities (including insider trading) laws.

4. Release of Claims. The parties agree that the payments to you under Section 2 of this Agreement are in full satisfaction of all claims you may have in respect of your employment by the Company or its affiliates and are provided as the sole and exclusive benefits to be provided to you in respect of the resignation of your employment. To effectuate that agreement, you hereby covenant and agree as follows:

(a) You, on behalf of yourself and your successors, heirs, assigns, executors, administrators and/or estate, hereby irrevocably and unconditionally release, acquit and forever discharge the Company, its subsidiaries, divisions and related or affiliated entities, and each of their respective predecessors, successors or assigns, and the officers, directors, partners, shareholders, representatives, employees and agents of each of the foregoing (the "Releasees"), from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred), known or unknown, that directly or indirectly arise out of, relate to or concern your employment or termination of employment with the Company ("Claims"), which you have, own or hold, or at any time heretofore had, owned or held against the Releasees up to the date on which you execute this Agreement, including without limitation, express or implied, all Claims for: breach of express or implied contract; promissory estoppel;

fraud, deceit or misrepresentation; intentional, reckless or negligent infliction of emotional distress; breach of any express or implied covenant of employment, including the covenant of good faith and fair dealing; interference with contractual or advantageous relations; discrimination on any basis under federal, state or local law, including without limitation, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, as amended, and the California Fair Employment and Housing Act, Cal. Gov't. Code ?? 12940, et seq., as amended; and all claims for defamation or damaged reputation.

(b) You acknowledge that you are familiar with Section 1542 of the California Civil Code, which reads as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

You acknowledge and agree that you are releasing unknown claims and waive all rights that you may have under Civil Code Section 1542 or under any other statute or common law principle of similar effect.

(c) You represent and warrant that you have not filed any complaints or charges asserting any Claims against the Releasees with any local, state or federal agency or court. You further

Ms. Debra L. Shotwell  
August 26, 1999  
Page 3

represent and warrant that you have not assigned or transferred to any person or entity any Claims or any part or portion thereof.

(d) You agree that you will not hereafter pursue any Claim against any Releasee by filing a lawsuit in any local, state or federal court for or on account of anything which has occurred up to the present time as a result of your employment, and you shall not seek reinstatement with, or damages of any nature, severance, incentive or retention pay, attorney's fees, or costs from the Company or any of the other Releasees; provided, however, that nothing in this Section 4 shall be deemed to release the Company from any claims that you may have (i) under this Agreement, (ii) for indemnification pursuant to and in accordance with applicable statutes, the by-laws of the Company and Section 4(b) of the Employment Agreement between you and the Company, dated March 9, 1998 ("Employment Agreement"), (iii) for vested pension or retirement benefits under the terms of qualified employee pension benefit plans, (iv) for any benefits you may be entitled to through December 31, 1999 as a result of prepaid premiums that the Company may have heretofore paid under your split dollar life and disability insurance plans, or (v) accrued but unpaid base salary.

##### 5. Release by the Company.

(a) The Company, on behalf of itself, its directors and officers (but only to the extent the Company's agreement in this regard is legally binding on them), its subsidiaries, divisions and related or affiliated entities and each of their respective predecessors, successors or assigns hereby irrevocably and unconditionally releases, acquits and forever discharges you, your successors, heirs, assigns, executors, administrators and/or estate (the "Shotwell Releasees"), from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorney's fees and costs actually incurred) known or unknown, that directly or indirectly arise out of, relate to or concern acts or omissions reasonably taken or not taken by you in the course of your employment and termination of employment with the Company in good faith (the "Company Claims").

(b) The Company acknowledges that it is familiar with Section 1542 of the California Civil Code, which reads as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The Company acknowledges and agrees that it is releasing unknown claims and waives all rights that it may have under Civil Code Section 1542 or under any other statute or common law principle of similar effect.

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

(d) The Company agrees that it will not hereafter pursue any Company Claim against any Shotwell Releasee by filing a lawsuit in any local, state or federal court for or on account of anything which has occurred up to the present time as a result of your employment to the extent set forth in Subparagraph 5(a) above; provided, however, that nothing in this Section 5 shall be deemed to release you from any claims the Company may have (i) under this Agreement or (ii) for claims not otherwise released by Section 5(a) above.

6. Employment Agreement. Except as set forth in the next sentence or as expressly provided elsewhere in this Agreement, this Agreement supersedes all provisions of your Employment Agreement and all such provisions terminate upon the Date of Resignation. Nothing contained herein, however, shall be deemed to terminate your obligations to the Company or the Company's obligations to you under Sections 4(b) (Indemnification), 6 (Records/Nondisclosure/Company Policies), 7(d) (Excise Tax Payment), 8(b)-(c) (Non-Solicitation and Specific Enforcement) and 13 (Resolution of Disputes) of the Employment Agreement, Annexes A (Code of Ethics) or B (Nondisclosure Agreement) thereto, or the Company's Stock Option Plan or the stock option agreements entered into by you from time to time.

7. Return of Property. In accordance with Section 4 of the Nondisclosure Agreement, dated as of March 9, 1998, by and between you and Bay Apartment Communities, Inc. (a predecessor to the Company) and incorporated in the Employment Agreement as Annex B ("Nondisclosure Agreement"), to the extent you have not already done so, (i) you will return to the Company all records, correspondence, notes, financial statements, computer printouts and other documents and recorded material of every nature (including copies thereof) that may be in your possession or control dealing with Confidential Information (as defined in Section 8 of the Nondisclosure Agreement), and (ii) you will return to the Company all other property.

8. Litigation Cooperation. You agree to continue to serve the Company as a litigation consultant and, in connection therewith, to cooperate fully with the Company in (i) the defense or prosecution of any claims or actions which already have been brought or which may be brought in the future against or on behalf of the Company and (ii) responding to, cooperating with, or contesting any governmental audit, inspection, inquiry, proceeding or investigation, which relate to events or occurrences that transpired during your employment with any of the Company. Your full cooperation in connection with such claims or actions shall include, without implication of limitation: promptly notifying the Company in writing of any subpoena, interview, investigation, request for information, or other contact concerning events or occurrences that transpired during your employment with any of the Company; being available to meet with counsel for the Company to prepare for discovery or trial; to testify truthfully as a witness when reasonably requested and at reasonable times designated by the Company; and to meet with counsel or other designated representatives of the Company; to prepare responses to and to cooperate with any Company's processing of governmental audits, inspections, inquiries, proceedings or investigations. The Company agrees to reimburse you for any reasonable out-of-pocket expenses that you incur in connection with such cooperation, subject to reasonable documentation. The Company shall compensate you at an hourly rate derived from your last applicable Base Salary for time that you reasonably spend complying with your obligations as a litigation consultant under this Section, except that the Company shall not, under any circumstances, compensate

you for time spent testifying under oath or responding to questions from governmental investigators in a capacity as a fact witness. The Company will try, in good faith, to exercise its rights under this Section so as not to unreasonably interfere with your personal schedule or ability to engage in gainful employment. In the event other commitments preclude you from being available to the Company when requested, you may decline a Company request for cooperation so long as you promptly provide to the Company reasonable alternative dates when you will be available to provide such cooperation.

In furtherance of your obligations under this Agreement, you agree that you shall not disclose, provide or reveal, directly or indirectly, any information concerning the Company, including without implication of limitation, their respective operations, plans, strategies or administration, to any other person or entity unless compelled to do so pursuant to (a) a valid subpoena or (b) as otherwise required by law, but in either case only after providing the Company, through the Office of its General Counsel, with prior written notice and opportunity to contest such subpoena or other requirement. Written notice shall be provided to the Company as soon as practicable, but in no event less than five (5) business days before any such disclosure is compelled, or, if later, at least one business day after you receive notice compelling such disclosure.

9. Nondisparagement and Nondisclosure. You agree not to take any action or make any statement, written or oral, which disparages or criticizes the Company or its officers, directors, agents, or management and business practices, or which disrupts or impairs the Company's normal operations. The Company agrees to instruct its directors and executive officers not to take any action or make any statement, written or oral, which disparages or criticizes you or your management and business practices. The provisions of this Section 9 shall not apply to any truthful statement required to be made by you or any director or executive officer of the Company, as the case may be, in any legal proceeding, governmental or regulatory investigation, in any public filing or disclosure legally required to be filed or made, or in any confidential discussion or consultation with professional advisors. You agree not to disclose the terms of this Agreement except (a) to your professional advisors, including accountants and attorneys (provided they agree to keep such information confidential), (b) to the extent that, prior to your disclosure, the Company has previously disclosed such information in its filings with the Securities and Exchange Commission, and (c) (i) pursuant to a valid subpoena or (ii) as otherwise required by law, but in either of the latter two cases only after providing the Company, to the attention of its Chief Executive Officer, with prior written notice and reasonable opportunity to contest such subpoena or other requirement. In the case of the circumstances contemplated by Subsections 9(c)(i) or (ii), written notice shall be provided to the Company as soon as practicable, but in no event less than five (5) business days before any such disclosure is compelled, or, if later, at least one (1) business day after you receive notice compelling such disclosure.

10. Exclusivity. This Agreement sets forth all the consideration to which you are entitled by reason of your resignation of your employment, and you shall not be entitled to or eligible for any payments or benefits under any other Company severance, bonus, retention or incentive policy, arrangement or plan, including, without implication of limitation, your Employment Agreement.

11. Tax Matters. All payments and other consideration provided to you pursuant to this Agreement shall be subject to any deductions, withholding or tax reporting that the Company reasonably determines to be required for tax purposes.

Ms. Debra L. Shotwell  
August 26, 1999  
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12. Notices, Acknowledgments and Other Terms.

(a) You are advised to consult with an attorney before signing this Agreement. You acknowledge that you have consulted with an attorney of your choice. You acknowledge that you have been given a reasonable period of time to consider this Agreement before executing it.

(b) You acknowledge and agree that the Company's promises in this Agreement include consideration in addition to anything of value to which you are otherwise entitled by reason of the termination of your employment.

(c) You acknowledge that you have been given the opportunity, if you so desired, to consider this Agreement for fourteen (14) days before executing it. If you breach any of the conditions of the Agreement within the fourteen (14) day period, the offer of this Agreement will be withdrawn and your execution of the Agreement will not be valid. In the event that you execute and return this Agreement within fourteen (14) days or less of the date of its delivery to you, you acknowledge that such decision was entirely voluntary and that you had the opportunity to consider this letter agreement for the entire fourteen (14) day period.

(d) By signing this Agreement, the parties acknowledge that they are doing so voluntarily and knowingly, fully intending to be bound by this Agreement. Each of the parties also acknowledges that she/it is not relying on any representations by any representative of the other party concerning the meaning of any aspect of this Agreement. Each of the parties understands that this Agreement shall not in any way be construed as an admission by the other party of any liability or any act of wrongdoing whatsoever and that each party specifically disclaims any liability or wrongdoing whatsoever against the other party on the part of herself, itself and her/its officers, directors, shareholders, employees and agents. Each of the parties understands that if either party does not enter into this Agreement and brings any claims against the other party, the other party will dispute the merits of those claims and contend that she/it acted lawfully and for good business reasons.

(e) In the event of any dispute, this Agreement will be construed as a whole, will be interpreted in accordance with its fair meaning, and will not be construed strictly for or against either you or the Company. Section headings and parenthetical explanations of section references are for convenience only and shall not be used to interpret the meaning of any provision or term of this Agreement.

(f) The law of the State of California will govern any dispute about

this Agreement, including any interpretation or enforcement of this Agreement.

(g) In the event that any provision or portion of a provision of this Agreement shall be determined to be illegal, invalid or unenforceable, the remainder of this Agreement shall be enforced to the fullest extent possible and the illegal, invalid or unenforceable provision or portion of a provision will be amended by a court of competent jurisdiction, or otherwise thereafter shall be interpreted, to reflect as nearly as possible without being illegal, invalid or unenforceable the parties' intent if possible. If such amendment or interpretation is not possible, the illegal, invalid or

Ms. Debra L. Shotwell  
August 26, 1999  
Page 7

unenforceable provision or portion of a provision will be severed from the remainder of this Agreement and the remainder of this Agreement shall be enforced to the fullest extent possible as if such illegal, invalid or unenforceable provision or portion of a provision was not included.

(h) This Agreement may be modified only by a written agreement signed by you and an authorized representative of the Company.

(i) This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and, except as expressly provided herein, supersedes all prior agreements between the parties with respect to any related subject matter.

(j) This Agreement shall be binding upon each of the parties and upon their respective heirs, administrators, representatives, executors, successors and assigns, and shall inure to the benefit of each party and to their heirs, administrators, representatives, executors, successors, and assigns.

If you agree to these terms, please sign and date below and return this Agreement to the Company's General Counsel within the time limits set forth above. This Agreement may be executed in two counterparts, and the two counterparts, when taken together, shall constitute one and the same Agreement.

Sincerely,  
  
AvalonBay Communities, Inc.  
  
By: /s/Richard L. Michaux  
-----  
Richard L. Michaux  
Chief Executive Officer

Accepted and Agreed to:  
  
/s/Debra L. Shotwell  
-----  
Debra L. Shotwell  
  
Dated: 8/28/99  
-----

## EXHIBIT 12.1

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

Year Ended December 31, 1995	Year Ended December 31, 1999	Year Ended December 31, 1998	Year Ended December 31, 1997	Year Ended December 31, 1996	--
<S> Net Operating Income 30,937	<C> \$ 172,276	<C> \$ 123,535	<C> \$ 64,916	<C> \$ 51,651	<C> \$
(Less) Nonrecurring item: Gain on sale	\$ (47,093)	\$ (25,270)	\$ (677)	\$ (7,850)	\$
- Non-recurring charges	16,782	-	-	-	-
(Plus) Extraordinary item: Unamortized loan fee write-off	\$ -	\$ 245	\$ 1,183	\$ 2,356	\$
1,158					
(Plus) Fixed charges:					
Portion of rents representative of the interest factor	\$ 526	\$ 293	\$ 172	\$ 150	\$
117					
Interest expense	74,699	54,650	16,977	9,545	
11,056					
Interest capitalized	21,888	14,724	9,024	12,883	
6,004					
Debt cost amortization	2,624	2,068	700	1,842	
1,869					
Preferred dividend	39,779	28,132	19,656	10,422	
-					
-----					
Total fixed charges (1)	\$ 139,516	\$ 99,867	\$ 46,529	\$ 34,842	\$
19,046					
(Less):					
Interest capitalized	\$ 21,888	\$ 14,724	\$ 9,024	\$ 12,883	\$
6,004					
Preferred dividend	39,779	28,132	19,656	10,422	
-					
Adjusted earnings (2)	\$ 219,814	\$ 155,521	\$ 83,271	\$ 57,694	\$
45,137					
-----					
Ratio (2 divided by 1)	1.58	1.56	1.79	1.66	
2.37	=====	=====	=====	=====	
=====					

&lt;/TABLE&gt;

EXHIBIT 12.1 (CONTINUED)

AVALONBAY COMMUNITIES, INC.  
RATIOS OF EARNINGS TO FIXED CHARGES

&lt;TABLE&gt;

<CAPTION>

Year	Year	Year	Year	
Ended	Ended	Ended	Ended	
December 31,	December 31,	December 31,	December 31,	
1995	1998	1997	1996	
-----	-----	-----	-----	-
<S>	<C>	<C>	<C>	<C>
Net Operating Income	\$ 172,276	\$ 123,535	\$ 64,916	\$ 51,651
30,937				\$
(Less) Nonrecurring item:				
Gain on sale	\$ (47,093)	\$ (25,270)	\$ (677)	\$ (7,850)
-				\$
Non-recurring charges	16,782	-	-	-
-				
(Plus) Extraordinary item:				
Unamortized loan fee write-off	\$ -	\$ 245	\$ 1,183	\$ 2,356
1,158				\$
(Plus) Fixed charges:				
Portion of rents representative				
of the interest factor	\$ 526	\$ 293	\$ 172	\$ 150
117				\$
Interest expense	74,699	54,650	16,977	9,545
11,056				
Interest capitalized	21,888	14,724	9,024	12,883
6,004				
Debt cost amortization	2,624	2,068	700	1,842
1,869				
-----	-----	-----	-----	-
Total fixed charges (1)	\$ 99,737	\$ 71,735	\$ 26,873	\$ 24,420
19,046				\$
(Less):				
Interest capitalized	\$ 21,888	\$ 14,724	\$ 9,024	\$ 12,883
6,004				\$
Adjusted earnings (2)	\$ 219,814	\$ 155,521	\$ 83,271	\$ 57,694
45,137				\$
-----	-----	-----	-----	-
Ratio (2 divided by 1)	2.20	2.17	3.10	2.36
2.37				
=====	=====	=====	=====	=====

</TABLE>

EXHIBIT 21.1  
SCHEDULE OF SUBSIDIARIES OF THE COMPANY

<TABLE>  
<CAPTION>

CORPORATE SUBSIDIARIES	STATE OF INCORPORATION OR ORGANIZATION
<S>	<C>
Avalon Chase Glen, Inc.	Maryland
Avalon Chase Hampton II, Inc.	Maryland
Avalon Chase Heritage, Inc.	Maryland
Lexington Ridge-Avalon, Inc.	Maryland
Avalon Town View, Inc.	Maryland
Town Cove Jersey City Urban Renewal, Inc.	New Jersey
Avalon Chase Grove, Inc.	Maryland
Avalon Town Meadows, Inc.	Maryland
Avalon 4100 Massachusetts Ave., Inc.	Maryland
Avalon Town Green II, Inc.	Maryland
Avalon Decoverly, Inc.	Maryland
Avalon Lake Arbor, Inc.	Maryland
Avalon Commons, Inc.	Maryland
Avalon Collateral, Inc.	Maryland
Town Cove II Jersey City Urban Renewal, Inc.	New Jersey
Avalon Fairway II Inc.	Maryland
Avalon Ballston II, Inc.	Maryland
Avalon Oaks, Inc.	Maryland
Avalon DownREIT V Inc.	Maryland
Avalon Development Services, Inc.	Maryland
Avalon BFG, Inc.	Maryland
Avalon Bay Fairlane, Inc.	Maryland
AvalonBay Services I, Inc.	Maryland
AvalonBay Services II, Inc.	Maryland
Bay Asset Group, Inc.	Maryland
Bay Waterford, Inc.	Maryland
Bay Development Partners, Inc.	Maryland
Bay GP, Inc.	Maryland
AvalonBay Arna Valley Inc.	Maryland
AvalonBay Redevelopment Inc.	Maryland

</TABLE>



Consent of Independent Public Accountants

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8 No. 333-16837, on Form S-8 No. 333-56089, on Form S-3 No. 333-87063, on Form S-3 No. 333-15407, on Form S-3 No. 333-62855, on Form S-3 No. 333-60875 and on Form S-3 No. 333-87219.

/s/ Arthur Andersen LLP

Vienna, Virginia  
March 9, 2000

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File No. 333-16837), Form S-8 (File No. 333-56089), Form S-3 (File No. 333-87063), Form S-3 (File No. 333-15407), Form S-3 (File No. 333-62855), Form S-3 (File No. 333-60875), and Form S-3 (File No. 333-87219) of AvalonBay Communities, Inc. of our report dated January 13, 1998, except for the 1997 information in Note 10, as to which the date is March 9, 2000 relating to the financial statements of Avalon Properties, Inc. for the year ended December 31, 1997, which appears in this Form 10-K.

/s/ COOPERS & LYBRAND L.L.P.

New York, New York  
March 9, 2000

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