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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2000

Commission file number 1-12672

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

<TABLE>	
<S>	<C>
Maryland	77-0404318
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
</TABLE>	

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

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

(Former name, if changed since last report)

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

Yes [X] No []

APPLICABLE ONLY TO CORPORATE ISSUERS

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

66,629,698 shares outstanding as of August 1, 2000

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AVALONBAY COMMUNITIES, INC.
FORM 10-Q
INDEX

<TABLE>
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PART I - FINANCIAL INFORMATION

PAGE

<C>

Item 1. Condensed Consolidated Financial Statements	
Condensed Consolidated Balance Sheets as of June 30, 2000 (unaudited) and December 31, 1999 (audited)	2
Condensed Consolidated Statements of Operations (unaudited) for the three and six months ended June 30, 2000 and 1999	3
Condensed Consolidated Statements of Cash Flows (unaudited) for the six months ended June 30, 2000 and 1999	4-5
Notes to Condensed Consolidated Financial Statements (unaudited)	6-16
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	17-38
Item 3. Quantitative and Qualitative Disclosures About Market Risk	39
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings	39
Item 2. Changes in Securities	39
Item 3. Defaults Upon Senior Securities	39
Item 4. Submission of Matters to a Vote of Security Holders	39
Item 5. Other Information	40
Item 6. Exhibits and Reports on Form 8-K	40-41
Signatures	42

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

<TABLE>			
<CAPTION>			
		6-30-00	
		(unaudited)	
12-31-99		-----	-

<S>		<C>	
<C>			
ASSETS			
Real estate:			
Land		\$ 711,719	\$
663,007			
Buildings and improvements		3,083,359	
2,942,866			
Furniture, fixtures and equipment		99,682	
82,467			
-----		-----	-
		3,894,760	
3,688,340			
Less accumulated depreciation		(276,160)	
(206,962)			
-----		-----	-
Net operating real estate		3,618,600	
3,481,378			
Construction in progress (including land)		432,788	
395,187			
Communities held for sale		75,371	
164,758			
-----		-----	-
Total real estate, net		4,126,759	
4,041,323			
Cash and cash equivalents		1,672	

7,621			
Cash in escrow		39,075	
8,801			
Resident security deposits		16,677	
14,113			
Investments in unconsolidated joint ventures		10,770	
10,702			
Deferred financing costs, net		12,390	
14,056			
Deferred development costs		13,795	
12,938			
Participating mortgage notes		21,483	
21,483			
Prepaid expenses and other assets		26,976	
23,625			
-----		-----	-
	TOTAL ASSETS	\$ 4,269,597	\$
4,154,662		=====	
=====			
LIABILITIES AND STOCKHOLDERS' EQUITY			
Variable rate unsecured credit facility		\$ 270,600	\$
178,600			
Unsecured notes		985,000	
985,000			
Notes payable		423,117	
430,047			
Dividends payable		47,160	
44,139			
Payables for construction		19,899	
18,874			
Accrued expenses and other liabilities		34,022	
40,226			
Accrued interest payable		26,908	
28,134			
Resident security deposits		26,911	
23,980			
-----		-----	-
	TOTAL LIABILITIES	1,833,617	
1,749,000		-----	-

Minority interest of unitholders in consolidated partnerships		39,074	
35,377			
Stockholders' equity:			
Preferred stock, \$.01 par value; \$25 liquidation value; 50,000,000			
shares authorized at both June 30, 2000 and December 31, 1999;			
18,322,700 shares outstanding at both June 30, 2000 and 1999		183	
183			
Common stock, \$.01 par value; 140,000,000 shares authorized at both June 30, 2000			
and December 31, 1999; 66,455,699 and 65,758,009 shares outstanding at June 30,			
2000 and December 31, 1999, respectively		664	
658			
Additional paid-in capital		2,466,570	
2,442,510			
Deferred compensation		(4,786)	
(3,559)			
Dividends in excess of accumulated earnings		(65,725)	
(69,507)			
-----		-----	-
	TOTAL STOCKHOLDERS' EQUITY	2,396,906	
2,370,285		-----	-

	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,269,597	\$
4,154,662		=====	
=====			

</TABLE>

See accompanying notes to condensed consolidated financial statements.

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

ended	For the three months ended		For the six months	
-----	6-30-00	6-30-99	6-30-00	6-
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Revenue:				
Rental income	\$ 139,632	\$ 122,807	\$ 274,417	\$
241,380				
Management fees	252	314	500	
653				
Other income	74	67	129	
101				

Total revenue	139,958	123,188	275,046	
242,134				

Expenses:				
Operating expenses, excluding property taxes	35,132	33,546	68,470	
66,247				
Property taxes	11,329	10,627	22,559	
21,341				
Interest expense	20,363	18,695	40,430	
35,163				
Depreciation and amortization	31,209	25,428	60,628	
52,654				
General and administrative	3,285	2,425	6,232	
4,793				
Non-recurring charges	--	66	--	
16,590				

Total expenses	101,318	90,787	198,319	
196,788				

Equity in income of unconsolidated joint ventures	702	680	1,396	
1,406				
Interest income	948	1,757	1,968	
3,419				
Minority interest in consolidated partnerships	(475)	(495)	(1,014)	
(928)				

Income before gain on sale of communities	39,815	34,343	79,077	
49,243				
Gain on sale of communities	10,842	28,579	18,752	
28,579				

Net income	50,657	62,922	97,829	
77,822				
Dividends attributable to preferred stock	(9,945)	(9,945)	(19,890)	
(19,890)				

Net income available to common stockholders	\$ 40,712	\$ 52,977	\$ 77,939	\$
57,932				
=====				
Per common share:				
Net income - basic	\$ 0.61	\$ 0.81	\$ 1.17	\$
0.89				
=====				

Net income - diluted	\$	0.60	\$	0.80	\$	1.15	\$
0.88							
		=====		=====		=====	

=====
</TABLE>

See accompanying notes to condensed consolidated financial statements.

3

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

<TABLE>
<CAPTION>

	For the six months	
ended	-----	-----
---	6-30-00	6-30-
99	-----	-----

<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 97,829	\$
77,822		
Adjustments to reconcile net income to cash provided		
by operating activities:		
Depreciation and amortization	60,628	
52,654		
Amortization of deferred compensation	1,830	
1,986		
Decrease (increase) in investments in unconsolidated joint ventures	(68)	
556		
Income allocated to minority interest in consolidated partnerships	1,014	
928		
Gain on sale of communities	(18,752)	
(28,579)		
Decrease (increase) in resident security deposits, accrued interest on		
participating mortgage notes, prepaid expenses and		
other assets	(6,772)	
202		
Increase (decrease) in accrued expenses, other liabilities and accrued		
interest payable	(4,204)	
8,306		

Net cash provided by operating activities	131,505	
113,875		

CASH FLOWS USED IN INVESTING ACTIVITIES:		
Increase (decrease) in construction payables	1,025	
(6,683)		
Increase in cash in escrow	(30,274)	
(908)		
Proceeds from sale of communities, net of selling costs	55,452	
117,161		
Purchase and development of real estate	(186,504)	
(265,122)		

Net cash used in investing activities	(160,301)	
(155,552)		

CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	16,237	
24,722		
Dividends paid	(91,026)	
(86,011)		
Proceeds from sale of unsecured notes	--	

125,000		
Payment of deferred financing costs	(66)	
(1,147)		
Repayments of notes payable	(1,753)	
(1,701)		
Net borrowings under (repayments of) unsecured facility	92,000	
(12,500)		
Contributions from (distributions to) minority partners	7,455	
(966)		

Net cash provided by financing activities	22,847	
47,397		

Net increase (decrease) in cash	(5,949)	
5,720		
Cash and cash equivalents, beginning of period	7,621	
8,890		

Cash and cash equivalents, end of period	\$ 1,672	\$
14,610		
=====		
Cash paid during period for interest, net of amount capitalized	\$ 37,768	\$
28,538		
=====		

</TABLE>

See accompanying notes to condensed consolidated financial statements.

4

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

During the six months ended June 30, 2000:

- 119,588 units of limited partnership, valued at \$4,772, 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.
- The Company issued \$30 in limited partnership units for acquisitions that were pursuant to the terms of a forward purchase contract agreed to in 1997 with an unaffiliated party.
- Common and preferred dividends declared but not paid totaled \$47,160.

During the six months ended June 30, 1999:

- 17,598 units of limited partnership, valued at \$693, 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 totaled \$43,011.

5

AVALONBAY COMMUNITIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

1. Organization and Significant Accounting Policies

Organization and Recent Developments

AvalonBay Communities, Inc. (the "Company," which term is often used to refer to

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

At June 30, 2000, the Company owned or held a direct or indirect ownership interest in 125 operating apartment communities containing 36,412 apartment homes in twelve states and the District of Columbia, of which six communities containing 2,496 apartment homes were under reconstruction. The Company also owned nine communities with 2,542 apartment homes under construction and rights to develop an additional 33 communities that, if developed, are expected to contain an estimated 8,859 apartment homes.

During the second quarter of 2000, the Company completed development of Avalon Willow (located in the New York, New York area) containing 227 apartment homes for a total investment of approximately \$46,800.

The development of Avalon Manor (located in the Northern New Jersey area) commenced during the second quarter of 2000. This community is expected to contain a total of 296 apartment homes upon completion with a projected total investment of approximately \$33,100.

During the second quarter of 2000, the Company acquired two communities pursuant to the terms of a forward purchase contract agreed to in 1997 with an unaffiliated party. Avalon RockMeadow, containing 206 apartment homes, was acquired during May 2000 for approximately \$24,100. Avalon ParcSquare, containing 124 apartment homes, was acquired during June 2000 for approximately \$19,000. Both communities are located in the Seattle, Washington area.

During the second quarter of 2000, the Company acquired one land parcel, for an aggregate purchase price of \$12,500, on which construction has not yet begun. The parcel is located in the Fairfield-New Haven, Connecticut area, and we expect to develop an apartment community containing 323 apartment homes on this parcel.

As further discussed in Footnote 6, "Communities Held for Sale", the Company has adopted a strategy of disposing of certain assets in markets that did not meet its long-term strategic direction and redeploying the proceeds from such sales to help fund the Company's development and redevelopment activities. In connection with this strategy, the Company sold two communities containing 486 apartment homes for net proceeds of approximately \$26,127 during the three months ended June 30, 2000. 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 either used to reduce amounts outstanding under the Company's variable rate unsecured credit facility or deposited in escrow accounts to facilitate like-kind exchange transactions.

The interim unaudited financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and in conjunction with the rules and regulations of the

Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements required by GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited financial statements should be read in conjunction with the financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999. The results of operations for the three and six months ended June 30, 2000 are not necessarily indicative of the operating results for the full year. Management believes the disclosures are adequate to make the information presented not misleading. In the opinion of Management, all adjustments and eliminations, consisting only of normal, recurring adjustments necessary for a fair presentation of the financial statements for the interim periods, have been included.

Presentation of Historical Financial Statements for the Three and Six Months Ended June 30, 1999

The financial presentation of the historical financial statements for the three and six months ended June 30, 1999, has been changed from the presentation that appeared in the Company's Form 10-Q for the three and six months ended June 30, 1999. For a discussion of the change in the presentation and the reasons therefor, see Footnote 2 to the consolidated financial statements presented in the Company's Form 10-K for the fiscal year ended December 31, 1999.

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

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

Real Estate

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

The capitalization of costs during the development of assets (including interest and related loan fees, property taxes and other direct and indirect costs) begins when active development commences and ends when the asset is delivered and a final certificate of occupancy is issued. Cost capitalization during redevelopment of apartment homes (including interest and related loan fees, property taxes and other direct and indirect costs) begins when an apartment home is taken out-of-service for redevelopment and ends when the apartment home redevelopment is completed and the apartment home is placed in-service. The accompanying condensed 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

7

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.

Development Costs of Software

The Company has an investment in a corporation formed to continue the Company's development of new web-based applications that will be used to better manage the Company's core real estate operations. The Company holds the majority economic interest in this entity and two other REITs also hold economic interests. 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 1999 and is expected to be fully implemented in early 2001, although no assurance can be provided in this regard. The Company will continue to be actively involved in the development of these systems and the total cost of development will be shared by those REITs owning capital stock of this entity.

Costs associated with the project have been 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.

The total expected cost to develop the system, excluding legal costs related to formation of the company and non-development costs, is approximately \$8 million.

Earnings per Common Share

In accordance with the provisions of SFAS No. 128, "Earnings per Share", basic earnings per share for the three and six months ended June 30, 2000 and 1999 is computed by dividing earnings available to common shares (net income less preferred stock dividends) by the weighted average number of shares and units of limited partnership in the Company's DownREIT partnerships that were 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 three and six months ended June 30, 2000 and 1999 are as follows:

	Three months ended		Six months ended	
	6-30-00	6-30-99	6-30-00	6-30-99
<S>	<C>	<C>	<C>	<C>
Weighted average common shares outstanding - basic	66,098,506	64,478,959	65,914,821	64,202,901
Weighted average units outstanding	933,384	876,546	951,339	876,546
Weighted average common shares and units outstanding - basic	67,031,890	65,355,505	66,866,160	65,079,447
Effect of dilutive securities	861,628	513,065	634,045	484,280
Weighted average common shares and units outstanding - diluted	67,893,518	65,868,570	67,500,205	65,563,727

8

Certain options to purchase shares of common stock in the amounts of 60,000 and 1,456,074 were outstanding during the three and six months ended June 30, 2000, respectively, and 2,368,055 and 2,418,055 were outstanding during the three and six months ended June 30, 1999, respectively, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares.

Non-recurring Charges

In February 1999, the Company announced certain management changes including (i) the departure of three senior officers who became entitled to severance benefits in accordance with the terms of their employment agreements with the Company dated as of March 9, 1998 and (ii) elimination of duplicate accounting functions and related employee departures. The Company recorded a non-recurring charge of \$16,076 in the first quarter of 1999 related to the expected costs associated with this management realignment and certain related organizational adjustments. The non-recurring charge consisted of \$15,476 in severance benefits, \$250 related to costs to eliminate duplicate accounting functions and \$350 in legal fees. As of June 30, 2000 all cash payments related to the non-recurring charge had been incurred.

The non-recurring charge also included \$66 and \$514 of Year 2000 remediation costs that had been incurred for the three and six months ended June 30, 1999, respectively.

Use of Estimates

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

Recently Issued Accounting Standards

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. In June 2000, the Financial Accounting Standards Board issued SFAS No. 138, "Accounting for Certain Instruments and Certain Hedging Activities." SFAS No. 138 addresses a limited number of issues causing implementation difficulties for entities that apply SFAS No. 133. The Company currently plans to adopt these pronouncements effective January 1, 2001, and will determine both the method and impact of adoption, which is not expected to be material to the financial statements.

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

2. Interest Capitalized

Capitalized interest associated with communities under development or redevelopment totaled \$4,163 and \$5,866 for the three months ended June 30, 2000 and 1999, respectively, and \$7,657 and \$13,149 for the six months ended June 30, 2000 and 1999, respectively.

9

3. Notes Payable, Unsecured Notes and Credit Facility

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

	6-30-00 -----	12-31-99 -----
<S>	<C>	<C>
Fixed rate mortgage notes payable (conventional and tax-exempt)	\$ 355,157	\$ 362,087
Variable rate mortgage notes payable (tax-exempt)	67,960	67,960
Fixed rate unsecured notes	985,000	985,000
	-----	-----
Total notes payable and unsecured notes	1,408,117	1,415,047
Variable rate unsecured credit facility	270,600	178,600
	-----	-----
Total notes payable, unsecured notes and credit facility	\$1,678,717	\$1,593,647
	=====	=====

Mortgage notes payable are collateralized by certain apartment communities and mature at various dates from May 2001 through December 2036. The weighted average interest rate of the Company's variable rate notes and credit facility was 7.3% at June 30, 2000. The weighted average interest rate of the Company's fixed rate notes (conventional and tax-exempt) was 6.8% at June 30, 2000.

The maturity schedule for the Company's unsecured notes is as follows:

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.

10

The Company has a \$600,000 variable rate unsecured credit facility with Morgan Guaranty Trust Company of New York, Union Bank of Switzerland and Fleet National Bank, serving as co-agents for a syndicate of commercial banks. The credit facility bears interest at a spread over the London Interbank Offered Rate ("LIBOR") based on rating levels achieved on the Company's unsecured notes and on a maturity selected by the Company. The current stated pricing is LIBOR plus 0.6% per annum (7.2% at June 30, 2000). In addition, the credit facility includes a competitive bid option (which allows banks that are part of the lender consortium to bid to make loans to the Company at a rate that is lower than the stated rate provided by the credit facility) for up to \$400,000. The Company is subject to certain customary covenants under the credit facility, including, but not limited to, maintaining certain maximum leverage ratios, a minimum fixed charges coverage ratio, minimum unencumbered assets and equity levels and restrictions on paying dividends in amounts that exceed 95% of the Company's Funds from Operations, as defined therein. The credit facility matures in July 2001 and has two, one-year extension options.

11

4. Stockholders' Equity

The following summarizes the changes in stockholders' equity for the six months ended June 30, 2000:

Total	Preferred	Common	Additional	Deferred	Dividends	
stockholders	stock	stock	paid-in	compensation	accumulated	
equity			capital		earnings	
	-----	-----	-----	-----	-----	---
<S>	<C>	<C>	<C>	<C>	<C>	
<C>						
Stockholders' equity, December 31, 1999	\$ 183	\$ 658	\$ 2,442,510	\$ (3,559)	\$ (69,507)	\$
2,370,285						
Dividends declared to common and preferred stockholders (94,047)	--	--	--	--	(94,047)	
Issuance of common stock, net of forfeitures	--	6	24,060	(3,057)	--	
21,009						
Amortization of deferred compensation	--	--	--	1,830	--	
1,830						
Net income	--	--	--	--	97,829	
97,829						
	-----	-----	-----	-----	-----	---
Stockholders' equity, June 30, 2000	\$ 183	\$ 664	\$ 2,466,570	\$ (4,786)	\$ (65,725)	\$
2,396,906	=====	=====	=====	=====	=====	

</TABLE>

During the six months ended June 30, 2000, the Company issued 213,281 shares of common stock upon the exercise of stock options, 269,586 shares of common stock through the Company's Dividend Reinvestment Plan, 119,588 shares of common stock to acquire operating partnership units from third parties, 10,291 shares of common stock in connection with the Company's Employee Stock Purchase Plan and

127,576 shares of common stock in connection with restricted stock grants to employees. A total of 42,632 shares of common stock issued in connection with restricted stock grants were forfeited during the six months ended June 30, 2000.

5. Investments in Unconsolidated Joint Ventures

At June 30, 2000, the Company's investments in unconsolidated joint ventures consisted of:

- a 50% general partnership interest in a partnership that owns the Falkland Chase community;
- a 49% general partnership interest in a partnership that owns the Avalon Run community;
- a 50% limited liability company membership interest in an LLC that owns the Avalon Grove community; and
- an approximate 50% economic interest (represented by ownership of non-voting shares of common stock) in a corporation formed to continue the development of an on-site property management system and a leasing automation system. Previously, the software development effort was conducted through a joint venture structured as a limited liability company. The joint venture was restructured into a corporation in June 2000. Currently two other REITs hold ownership positions in this corporation.

12

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

<TABLE>
<CAPTION>

	6-30-00 (unaudited)	12-31-99
	-----	-----
<S>	<C>	<C>
Assets:		
Real estate, net	\$ 93,436	\$ 94,644
Other assets	12,644	10,666
	-----	-----
Total assets	\$ 106,080	\$ 105,310
	=====	=====
Liabilities and partners' equity:		
Mortgage notes payable	\$ 26,000	\$ 26,000
Other liabilities	7,304	6,479
Partners' equity	72,776	72,831
	-----	-----
Total liabilities and partners' equity	\$ 106,080	\$ 105,310
	=====	=====

</TABLE>

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

<TABLE>
<CAPTION>

	Three months ended (unaudited)		Six months ended (unaudited)	
	6-30-00	6-30-99	6-30-00	6-30-99
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Rental income	\$ 5,526	\$ 5,078	\$ 10,789	\$ 10,166
Other income	38	5	24	10
Operating and other expenses	(1,602)	(1,357)	(3,051)	(2,741)
Mortgage interest expense	(304)	(184)	(542)	(368)
Depreciation and amortization	(806)	(769)	(1,582)	(1,541)
	-----	-----	-----	-----
Net income	\$ 2,852	\$ 2,773	\$ 5,638	\$ 5,526
	=====	=====	=====	=====

</TABLE>

6. Communities Held for Sale

During 1998, the Company adopted a strategy of disposing 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. In connection with this strategy, the Company sold an aggregate of 23 communities and a participating mortgage note during 1998 and 1999.

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

<TABLE>
<CAPTION>

Communities	Location	Period of sale	Apartment homes	Debt	Gross sales price	Net proceeds
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Avalon Chase	Marlton, NJ	1Q00	360	\$ --	\$29,700	\$29,325
Avalon Pines	Virginia Beach, VA	2Q00	174	5,177	11,000	5,354
Avalon Birches	Chesapeake, VA	2Q00	312	--	21,000	20,773
			-----	-----	-----	-----
			846	\$ 5,177	\$61,700	\$55,452
			=====	=====	=====	=====

</TABLE>

Management intends to market additional communities for sale during the remainder of 2000. However, there can be no assurance that such assets will be sold, or that we will sell the assets on financially advantageous terms. 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 June 30, 2000, total real estate,

13

net of accumulated depreciation, subject to sale totaled \$75,371. 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 Condensed Consolidated Statements of Operations include net income of the communities held for sale at June 30, 2000 of \$1,315 and \$635 for the three months ended June 30, 2000 and 1999, respectively, and \$2,556 and \$1,142 for the six months ended June 30, 2000 and 1999, respectively.

7. Segment Reporting

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," 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 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 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). Lease-up activities immediately following the completion of development adversely impact operating yields, as stabilized occupancy and operating costs are not yet reached. 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 during the prior calendar year of presentation. The primary financial measure for this business segment is Operating Yield. Lease-up activities immediately following the completion of redevelopment adversely impact operating yields, as stabilized occupancy and operating costs are not yet reached. 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 at any point in time during the applicable calendar year as well as

communities held for sale. 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. The primary performance measure for communities held for sale is NOI.

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.

In addition to reporting segments based on the above property types, 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>

	For the three months ended				
	Stable Communities	Developed Communities	Redeveloped Communities	Other	Total
<S>	<C>	<C>	<C>	<C>	<C>
For the three and six months ended 6-30-00					
Segment Results					
Total revenue	\$ 77,374	\$ 24,522	\$ 8,779	\$ 28,402	\$ 139,077
Net Operating Income	\$ 55,869	\$ 18,543	\$ 5,799	\$ 19,388	\$ 99,599
Gross real estate	\$ 2,149,531	\$ 660,302	\$ 292,787	\$ 945,875	\$ 4,048,495
Operating Yield	10.4%	11.2%	7.9%		

Non-allocated operations

881	Total revenue	\$ --	\$ --	\$ --	\$ 881	\$
704	Net Operating Income	\$ --	\$ --	\$ --	\$ 704	\$
358,924	Gross real estate	\$ --	\$ --	\$ --	\$ 358,924	\$
Total, AvalonBay						
139,958	Total revenue	\$ 77,374	\$ 24,522	\$ 8,779	\$ 29,283	\$
100,303	Net Operating Income	\$ 55,869	\$ 18,543	\$ 5,799	\$ 20,092	\$
4,407,419	Gross real estate	\$ 2,149,531	\$ 660,302	\$ 292,787	\$ 1,304,799	\$

For the three and six months ended 6-30-99

Segment Results

122,619	Total revenue	\$ 87,304	\$ 8,079	\$ 7,281	\$ 19,955	\$
84,615	Net Operating Income	\$ 60,992	\$ 6,200	\$ 5,119	\$ 12,304	\$
3,952,792	Gross real estate	\$ 2,487,759	\$ 225,250	\$ 232,370	\$ 1,007,413	\$
	Operating Yield	9.8%	11.0%	8.8%		

Non-allocated operations

569	Total revenue	\$ --	\$ --	\$ --	\$ 569	\$
389	Net Operating Income	\$ --	\$ --	\$ --	\$ 389	\$
211,430	Gross real estate	\$ --	\$ --	\$ --	\$ 211,430	\$

Total, AvalonBay

123,188	Total revenue	\$ 87,304	\$ 8,079	\$ 7,281	\$ 20,524	\$
85,004	Net Operating Income	\$ 60,992	\$ 6,200	\$ 5,119	\$ 12,693	\$
4,164,222	Gross real estate	\$ 2,487,759	\$ 225,250	\$ 232,370	\$ 1,218,843	\$

<CAPTION>

For the six months ended

	Stable Communities	Developed Communities	Redeveloped Communities	Other	
Total	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>

For the three and six months ended 6-30-00

Segment Results

273,781	Total revenue	\$ 152,650	\$ 48,388	\$ 17,536	\$ 55,207	\$
196,185	Net Operating Income	\$ 110,762	\$ 36,479	\$ 11,554	\$ 37,390	\$
4,048,495	Gross real estate	\$ 2,149,531	\$ 660,302	\$ 292,787	\$ 945,875	\$
	Operating Yield	10.3%	11.0%	7.9%		

Non-allocated operations

1,265	Total revenue	\$ --	\$ --	\$ --	\$ 1,265	\$
1,010	Net Operating Income	\$ --	\$ --	\$ --	\$ 1,010	\$
358,924	Gross real estate	\$ --	\$ --	\$ --	\$ 358,924	\$

Total, AvalonBay					
Total revenue	\$ 152,650	\$ 48,388	\$ 17,536	\$ 56,472	\$
275,046					
Net Operating Income	\$ 110,762	\$ 36,479	\$ 11,554	\$ 38,400	\$
197,195					
Gross real estate	\$ 2,149,531	\$ 660,302	\$ 292,787	\$ 1,304,799	\$
4,407,419					

For the three and six months
ended 6-30-99

Segment Results

Total revenue	\$ 174,884	\$ 15,800	\$ 14,325	\$ 36,047	\$
241,056					
Net Operating Income	\$ 121,536	\$ 11,966	\$ 10,036	\$ 21,660	\$
165,198					
Gross real estate	\$ 2,487,759	\$ 225,250	\$ 232,370	\$ 1,007,413	\$
3,952,792					

Operating Yield	9.8%	10.6%	8.6%		
-----------------	------	-------	------	--	--

Non-allocated operations

Total revenue	\$ --	\$ --	\$ --	\$ 1,078	\$
1,078					
Net Operating Income	\$ --	\$ --	\$ --	\$ 839	\$
839					
Gross real estate	\$ --	\$ --	\$ --	\$ 211,430	\$
211,430					

Total, AvalonBay

Total revenue	\$ 174,884	\$ 15,800	\$ 14,325	\$ 37,125	\$
242,134					
Net Operating Income	\$ 121,536	\$ 11,966	\$ 10,036	\$ 22,499	\$
166,037					
Gross real estate	\$ 2,487,759	\$ 225,250	\$ 232,370	\$ 1,218,843	\$
4,164,222					

</TABLE>

Operating expenses as reflected on the Condensed Consolidated Statements of Operations include \$6,806 and \$5,989 for the three months ended June 30, 2000 and 1999, respectively, and \$13,178 and \$11,491 for the six months ended June 30, 2000 and 1999, 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 Condensed Consolidated Balance Sheets is net of \$4,500 of accumulated depreciation as of June 30, 2000.

8. Subsequent Events

During July 2000, the Company sold Glen Creek, a 138 apartment home community located in the San Jose, California area, and Governor's Square, a 302 apartment home community located in the Sacramento, California area. The net proceeds of approximately \$18,780 from the sale of Glen Creek were deposited into an escrow account to facilitate a like-kind exchange transaction to be used for development and redevelopment funding. The net proceeds of approximately \$15,347 from the sale of Governor's Square were used to repay amounts outstanding under the Company's credit facility.

During July 2000, the Company issued \$150,000 of medium-term notes. The notes bear interest at 8.25% and will mature on July 15, 2008. The Company used the net proceeds of approximately \$149,000 to repay amounts outstanding under the Company's credit facility.

During July 2000, the Company acquired two parcels of land, for an aggregate purchase price of \$18,516, on which construction has not yet begun. The parcels are located in the Washington, D.C. area and the Seattle, Washington area, and the Company expects to develop two apartment communities with an aggregate of 309 apartment homes.

During July 2000, the Company acquired Avalon WildReed pursuant to the terms of a forward purchase contract agreed to in 1997 with an unaffiliated party. This community containing 232 apartment homes is located in the Seattle, Washington area, and was acquired for approximately \$22,740.

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

Forward-Looking Statements

This Form 10-Q, including the footnotes to the Company's condensed 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-Q, 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; and
- 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 because they involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. These risks, uncertainties and other factors may cause our actual results, performance or achievements to differ materially from the anticipated future results, performance or achievements expressed or implied by these forward-looking statements. 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 rental revenues that are lower than originally expected;
- 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 or at all, 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; and

- 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.

You should read our unaudited condensed consolidated financial statements and notes included in this report and the audited financial statements for the year ended December 31, 1999 and the notes included in our annual report on Form 10-K 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 growth in cash flows. These barriers-to-entry generally include a difficult and lengthy entitlement process with local jurisdictions and dense in-fill locations where zoned and entitled land is in limited supply. 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.

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

- development and redevelopment;
- construction and reconstruction;
- leasing and management;
- acquisition and disposition;
- financing;
- marketing; 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 have limited our acquisition activity as compared to prior years due to these capital constraints, and we expect to direct most of our invested capital to new developments and redevelopments, rather than acquisitions, for the foreseeable future. See "Liquidity and Capital Resources" and "Future Financing and Capital Needs."

We believe apartment communities present an attractive investment opportunity compared to other real estate investments because a broad potential resident base results in relatively stable demand during all phases of a real estate cycle. We intend, subject to the availability of cost-effective capital, 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 August 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:

<TABLE>
<CAPTION>

	Number of communities -----	Number of apartment homes -----
<S>	<C>	<C>
Current Communities - -----	124	36,204

Stabilized Communities	118	33,708
Established Communities:	74	19,586
Northern California	24	6,275
Southern California	8	1,855
Mid-Atlantic	17	4,835
Northeast	18	4,766
Midwest	6	1,591
Pacific Northwest	1	264
Other Stabilized Communities:	44	14,122
Northern California	9	2,734
Southern California	6	2,180
Mid-Atlantic	4	1,343
Northeast	17	5,988
Midwest	2	624
Pacific Northwest	6	1,253
Lease-Up Communities	--	--
Redevelopment Communities	6	2,496
Development Communities	9	2,542
- - - - -		
Development Rights	33	8,859 (*)
- - - - -		

</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 as of January 1, 1999, with stabilized operating costs as of January 1, 1999 such that a comparison of 1999 operating results to 2000 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.
- Other Stabilized Communities. Represents Stabilized Communities as defined above, but which became stabilized or were acquired after January 1, 1999.

19

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%. As of August 1, 2000, there were no lease-up communities.

Redevelopment Communities. Represents all communities where substantial redevelopment has begun. Redevelopment is considered substantial when capital expected to be 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 August 1, 2000, we owned:

- a fee simple, or absolute, ownership interest in 107 operating communities, one of which is on land subject to a 149 year land

lease;

- a general partnership interest in four partnerships that each own a fee simple interest in an operating community;
- a general partnership interest in four partnerships structured as "DownREITs," as described more fully below, that own an aggregate of 12 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 eight 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 per unit paid to the holders of units of limited partnership interests approximate the current AvalonBay common stock dividend rate per share. Each DownREIT partnership has been structured so that it is unlikely the limited partners will be entitled to a distribution greater than the initial distribution provided for in the partnership agreement. The holders of units of limited partnership interest have the right to present each unit of limited partnership interest for redemption for cash equal to the fair market value of a share of AvalonBay common stock on the date of redemption. In lieu of cash redemption of a unit, we may elect to acquire any unit presented for redemption for one share of our common stock. As of June 30, 2000, there were 855,090 units outstanding. The DownREIT partnerships are consolidated for financial reporting purposes.

At June 30, 2000, we had positioned our portfolio of Stabilized Communities, excluding communities owned by unconsolidated joint ventures, to an average physical occupancy level of 97.4%. 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 rental rates or occupancy levels. Given the current high occupancy level of our portfolio, we believe that any rental revenue and net income gains from our

20

Stabilized 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;
- Iselin, 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 certain 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, we will generally use the proceeds from the sale of these communities to reduce amounts outstanding under our variable rate unsecured credit facility. On occasion, we will set aside the proceeds from the sale of communities into a cash escrow account to facilitate a like-kind exchange transaction. Accordingly, we sold two communities containing 486 apartment homes in connection with our capital redeployment strategy during the three months ended June 30, 2000. Net proceeds from these sales totaled \$26,127,000. In July 2000, we sold two additional communities, where the net proceeds from the sale were approximately \$34,127,000. We intend to dispose of additional assets as described more fully under "Future Financing and Capital Needs."

Development, Redevelopment and Acquisition Activities. During the second quarter of 2000, we completed development of Avalon Willow (located in the New York, New York area) containing 227 apartment homes for a total investment of approximately \$46,800,000. The development of Avalon Manor (located in the Northern New Jersey area) commenced during the second quarter of 2000. This community is expected to contain a total of 296 apartment homes upon completion with a projected total investment of approximately \$33,100,000.

21

During the second quarter of 2000, we acquired one land parcel, for an aggregate purchase price of \$12,500,000 on which construction has not yet begun. The parcel is located in the Fairfield-New Haven, Connecticut area, and we expect to develop an apartment community containing 323 apartment homes on this parcel. During July 2000, we acquired two parcels of land, for an aggregate purchase price of \$18,516,000, on which construction has not yet begun. The parcels are located in the Washington, D.C. area and Seattle, Washington area, and we expect to develop two apartment communities with an aggregate of 309 apartment homes.

We also acquired two communities during the second quarter of 2000 in connection with the terms of a forward purchase contract agreed to in 1997 with an unaffiliated party. Avalon RockMeadow, containing 206 apartment homes, was acquired during May 2000 for approximately \$24,100,000. Avalon ParcSquare, containing 124 apartment homes, was acquired during June 2000 for approximately \$19,000,000. Both communities are located in the Seattle, Washington area. During July 2000, Avalon WildReed, containing 234 apartment homes, was acquired in connection with the terms of this forward purchase contract for approximately \$22,700,000. This community is also located in the Seattle, Washington area.

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

Results of Operations and Funds from Operations

The financial presentation of our historical financial statements for the three and six months ended June 30, 1999, has been changed from the presentation that appeared in AvalonBay's Form 10-Q for the three and six months ended June 30, 1999. For a discussion of the change in the presentation and the reasons therefor, see Footnote 2 to the consolidated financial statements presented in AvalonBay's Form 10-K for the fiscal year ended December 31, 1999.

22

A comparison of our operating results for the three and six months ended June 30, 2000 and June 30, 1999 follows.

<TABLE>
<CAPTION>

For the three months ended

	6-30-00	6-30-99	\$ Change	% Change
<S>	<C>	<C>	<C>	<C>
Revenue:				
Rental income	\$ 139,632	\$ 122,807	\$ 16,825	13.7%
Management fees	252	314	(62)	(19.7%)
Other income	74	67	7	10.4%
	-----	-----	-----	-----
Total revenue	139,958	123,188	16,770	13.6%
	-----	-----	-----	-----
Expenses:				
Operating expenses, excluding property taxes	35,132	33,546	1,586	4.7%
Property taxes	11,329	10,627	702	6.6%
	-----	-----	-----	-----
Total operating expenses	46,461	44,173	2,288	5.2%
	-----	-----	-----	-----
Net Operating Income	93,497	79,015	14,482	18.3%
	-----	-----	-----	-----
Other Expenses:				
Interest expense	20,363	18,695	1,668	8.9%
Depreciation and amortization	31,209	25,428	5,781	22.7%
General and administrative	3,285	2,425	860	35.5%
Non-recurring charges	--	66	(66)	--
	-----	-----	-----	-----
Total other expenses	54,857	46,614	8,243	17.7%
	-----	-----	-----	-----
Equity in income of unconsolidated joint ventures	702	680	22	3.2%
Interest income	948	1,757	(809)	(46.0%)
Minority interest in consolidated partnerships	(475)	(495)	20	(4.0%)
	-----	-----	-----	-----
Income before gain on sale of communities	39,815	34,343	5,472	15.9%
Gain on sale of communities	10,842	28,579	(17,737)	(62.1%)
	-----	-----	-----	-----
Net income	50,657	62,922	(12,265)	(19.5%)
Dividends attributable to preferred stock	(9,945)	(9,945)	--	--
	-----	-----	-----	-----
Net income available to common stockholders	\$ 40,712	\$ 52,977	\$ (12,265)	(23.2%)
	=====	=====	=====	=====

<CAPTION>

	For the six months ended			
	6-30-00	6-30-99	\$ Change	% Change
<S>	<C>	<C>	<C>	<C>
Revenue:				
Rental income	\$ 274,417	\$ 241,380	\$ 33,037	13.7%
Management fees	500	653	(153)	(23.4%)
Other income	129	101	28	27.7%
	-----	-----	-----	-----
Total revenue	275,046	242,134	32,912	13.6%
	-----	-----	-----	-----
Expenses:				
Operating expenses, excluding property taxes	68,470	66,247	2,223	3.4%
Property taxes	22,559	21,341	1,218	5.7%
	-----	-----	-----	-----
Total operating expenses	91,029	87,588	3,441	3.9%
	-----	-----	-----	-----
Net Operating Income	184,017	154,546	29,471	19.1%
	-----	-----	-----	-----
Other Expenses:				
Interest expense	40,430	35,163	5,267	15.0%
Depreciation and amortization	60,628	52,654	7,974	15.1%
General and administrative	6,232	4,793	1,439	30.0%
Non-recurring charges	--	16,590	(16,590)	--
	-----	-----	-----	-----
Total other expenses	107,290	109,200	(1,910)	(1.7%)
	-----	-----	-----	-----

Equity in income of unconsolidated joint ventures	1,396	1,406	(10)	(0.7%)
Interest income	1,968	3,419	(1,451)	(42.4%)
Minority interest in consolidated partnerships	(1,014)	(928)	(86)	9.3%
<hr/>				
Income before gain on sale of communities	79,077	49,243	29,834	60.6%
Gain on sale of communities	18,752	28,579	(9,827)	(34.4%)
<hr/>				
Net income	97,829	77,822	20,007	25.7%
Dividends attributable to preferred stock	(19,890)	(19,890)	--	--
<hr/>				
Net income available to common stockholders	\$ 77,939	\$ 57,932	\$ 20,007	34.5%
<hr/>				

</TABLE>

Net income available to common stockholders (after adjusting for non-recurring charges and gain on sale of communities) increased by \$5,406,000 for the three months ended June 30, 2000 and \$13,244,000 for the six months ended June 30, 2000 compared to the comparable periods of the preceding year. The increase in net income, as adjusted, for the three and six months ended June 30, 2000 is primarily attributable to additional operating income from newly developed or redeveloped communities as well as growth in operating income from Established Communities.

As discussed in "Recent Developments - Sales of Existing Communities" and "Future Financing and Capital Needs," we have funded a significant portion of our development and redevelopment activities since 1998 through the sale of assets in certain markets where we have a limited presence. The short term effect of redeploying capital from existing communities to development or redevelopment communities is that net operating income will decrease as we complete development and redevelopment activities. Interest expense will also decrease as the proceeds from the sale of communities are initially used to repay amounts outstanding on our credit facility. The historical long term effect of this strategy has been that net operating income attributable to newly developed and redeveloped communities is higher than net

23

operating income of assets identified for sale. For the period January 1, 1999 through June 30, 2000, we have generated approximately \$336 million in net proceeds from the sale of assets, which represents nearly 10% of our total real estate assets as of January 1, 1999. The total \$29,471,000 increase in net operating income for the six months ended June 30, 2000 as compared to the comparable period of the preceding year is attributable to:

- an increase of \$28,961,000 related to communities where development activities, redevelopment activities or acquisition were completed subsequent to January 1, 1999;
- an increase of \$9,262,000 related to Established Communities;
- a decrease of \$11,909,000 related to communities sold subsequent to January 1, 1999; and
- an increase of \$3,157,000 related to all other communities.

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

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

Overall Portfolio - The increase in rental income (13.7% for the three and six months ended June 30, 2000) is primarily due to an increase in the weighted average monthly rental income per occupied apartment home offset by a decrease in the weighted average number of occupied apartment homes. The weighted average number of occupied apartment homes decreased from 34,145 apartment homes for the six months ended June 30, 1999 to 33,512 apartment homes for the six months ended June 30, 2000. For the six months ended June 30, 2000, the weighted average monthly revenue per occupied apartment home increased \$179 (15.3%) to \$1,351 compared to \$1,172 for the

comparable period of the preceding year.

Established Communities - Rental revenue increased \$5,533,000 (7.7%) for the three months ended June 30, 2000 compared to the comparable period of the preceding year. Rental revenue increased \$10,210,000 (7.2%) for the six months ended June 30, 2000 compared to the comparable period of the preceding year. The increase is due to market conditions that allowed for higher average rents and higher economic occupancy levels. For the six months ended June 30, 2000, weighted average monthly revenue per occupied apartment home increased \$68 (5.6%) to \$1,329 compared to \$1,261 for the comparable period of the preceding year. The average economic occupancy increased from 96.1% for the six months ended June 30, 1999 to 97.7% for the six months ended June 30, 2000.

Management fees decreases (19.7% for the three months ended and 23.4% for the six months ended June 30, 2000) are primarily due to a decline in the number of third-party communities that we manage.

Operating expenses, excluding property taxes increases (4.7% for the three months ended and 3.4% for the six months ended June 30, 2000) are primarily a result of our disposition and capital redeployment strategy discussed above, and an increase in expense related to Established Communities. Maintenance, insurance and other costs associated with Development and Redevelopment Communities are expensed as communities move from the initial construction and lease-up phase to the stabilized operating phase.

Established Communities - Operating expenses, excluding property taxes increased \$947,000 (6.6%) to \$15,321,000 for the three months ended June 30, 2000 compared to \$14,374,000 for the comparable period of the preceding year. These expenses increased \$1,370,000 (4.8%) to \$29,691,000 for the six months ended June 30, 2000 compared to \$28,321,000 for the comparable

24

period of the preceding year. These increases are the result of higher redecorating, maintenance, payroll, insurance and administrative costs offset by lower utility and marketing costs.

Property taxes increases (6.6% for the three months ended and 5.7% for the six months ended June 30, 2000) are primarily the result of our disposition and capital redeployment strategy discussed above and a decrease in operating expense related to Established Communities. Property taxes on Development and Redevelopment Communities are expensed as communities move from the initial construction and lease-up phase to the stabilized operating phase.

Established Communities - Property taxes decreased \$112,000 (1.8%) to \$6,183,000 for the three months ended June 30, 2000 compared to \$6,295,000 for the comparable period of the preceding year. Property taxes decreased \$422,000 (3.3%) to \$12,196,000 for the six months ended June 30, 2000 compared to \$12,618,000 for the comparable period of the preceding year. These decreases are primarily a result of revised base year tax assessments for previously renovated communities which resulted in supplemental taxes that were lower than those originally projected.

Interest expense increases (8.9% for the three months ended and 15.0% for the six months ended June 30, 2000) are primarily attributable to a decrease in capitalized interest and secondarily to the issuance of unsecured debt securities during 1999. This reflects our strategy to mitigate the risk of floating rate debt in a rising interest rate environment by repaying floating rate debt under our credit facility (with relatively lower current interest rates) with fixed rate unsecured debt that has a higher current interest rate and a longer term to maturity.

General and administrative increases (35.5% for the three months ended and 30.0% for the six months ended June 30, 2000) are primarily attributable to professional fees and payments required under a consulting and non-competition arrangement entered into in connection with the retirement of Gilbert M. Meyer, the former Executive Chairman of AvalonBay, in May 2000. Compensation expense for a senior officer, whose salary was capitalized in 1999 while he served the company in a different capacity, also contributed to the overall increase in expense. Cost savings attained from a management reorganization in the first quarter of 1999 partially offset the increase in expense.

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

Interest income decreases (46.0% for the three months ended and 42.4% for the six months ended June 30, 2000) are primarily attributable to the sale of the Fairlane Woods participating mortgage note that was sold in the fourth quarter of 1999.

We consider Funds from Operations, or FFO, to be an appropriate measure of our

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

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

25

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 three months ended June 30, 2000, FFO increased to \$60,970,000 from \$50,595,000 for the comparable period of the preceding year. This increase is primarily due to the completion of new development and redevelopment communities as well as growth in earnings from Established Communities.

FFO previously reported for the three months ended June 30, 1999 excluded the effect on net income of a non-recurring restructuring charge of \$66,000 in conformance with the NAREIT definition of FFO calculations then in effect, or the original definition. NAREIT issued a White Paper dated October 1999 that clarified the definition of FFO and the treatment of certain nonrecurring charges. The clarified definition includes the effect on net income of non-recurring charges in the calculation of FFO. Although we believe the comparison of FFO using the original definition represents a better guide to investors of comparable operations and growth between years, both FFO calculations are presented below for the three months ended June 30, 2000 and 1999 (dollars in thousands):

months ended	For the three months ended		For the six
-----	-----	-----	-----
6-30-99	6-30-00	6-30-99	6-30-00
-----	-----	-----	-----
<S>	<C>	<C>	<C>
<C>			
Net income	\$ 50,657	\$ 62,922	\$ 97,829
\$ 77,822			
Preferred dividends	(9,945)	(9,945)	(19,890)
(19,890)			
Depreciation - real estate assets	30,453	25,449	59,047
52,246			
Joint venture adjustments	196	187	390
374			
Minority interest expense	451	495	960
928			
(Gain) loss on sale of communities	(10,842)	(28,579)	(18,752)
(28,579)			
-----	-----	-----	-----
Funds from Operations - Clarified Definition (1)	\$ 60,970	\$ 50,529	\$ 119,584
\$ 82,901			
Non-recurring charges (2)	--	66	--
16,590			
-----	-----	-----	-----
Funds from Operations - Original Definition (3)	\$ 60,970	\$ 50,595	\$ 119,584
\$ 99,491			

Net cash provided by operating activities	\$ 70,531	\$ 62,837	\$ 131,505
\$ 113,875			
Net cash used in investing activities	\$(114,838)	\$(32,939)	\$(160,301)
\$(155,552)			
Net cash provided by (used in) financing activities	\$ 37,903	\$ (33,878)	\$ 22,847
\$ 47,397			

</TABLE>

- (1) Represents Funds from Operations calculated in accordance with NAREIT's October 1999 White Paper on FFO. Our calculation of FFO in accordance with NAREIT's clarified definition of FFO includes the effect on earnings of non-recurring charges for certain management and other organizational changes and Year 2000 remediation costs.
- (2) Consists of \$16,076 related to management and other organizational changes announced during 1998 and \$514 for Year 2000 remediation costs.
- (3) Funds from Operations calculated based on NAREIT's definition of FFO prior to the issuance of the October 1999 White Paper on FFO. Previously, the effect on earnings of non-recurring charges for certain management and other organizational changes and Year 2000 remediation costs were excluded from the calculation of FFO.

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.

26

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 six months ended June 30, 2000 resulted in non-revenue generating capitalized expenditures for Stabilized Communities of approximately \$83 per apartment home. For the six months ended June 30, 2000, we charged to maintenance expense, including carpet and appliance replacements, related to Stabilized Communities approximately \$576 per apartment home. We anticipate that capitalized costs per apartment home will gradually increase as the average age of our communities increases.

Liquidity and Capital Resources

Liquidity. Our primary source of liquidity is 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 we must pay because changes in interest rates affect our decisions as to whether to issue debt securities, borrow money and invest in real estate. Thus, changes in the capital markets environment affect our plans for the undertaking of construction and development as well as acquisition activity.

Cash and cash equivalents decreased from \$14,610,000 at June 30, 1999 to \$1,672,000 at June 30, 2000 due to the following:

- Net cash provided by operating activities increased by \$17,630,000 from \$113,875,000 for the six months ended June 30, 1999 to \$131,505,000 for the six months ended June 30, 2000. The increase was primarily from additional operating cash flow from Established Communities as well as the development and redevelopment of new communities, offset by the loss of cash flow from communities sold subsequent to January 1, 1999.
- Net cash used in investing activities increased by \$4,749,000 from \$155,552,000 for the six months ended June 30, 1999 to \$160,301,000 for the six months ended June 30, 2000. This increase was partially due to decreased proceeds from the sale of communities. This increase was also the result of an increase in cash in escrow, predominantly due to the sale of a community during the second quarter of 2000, whose net proceeds were deposited in an escrow account to facilitate a like-kind exchange transaction. We intend to redeploy the net proceeds to develop and redevelop communities currently under construction or reconstruction. This is offset by a reduction in expenditures for development and redevelopment activity.

27

- Net cash provided by financing activities decreased by \$24,550,000 from \$47,397,000 for the six months ended June 30, 1999 to \$22,847,000 used in financing activities for the six months ended June 30, 2000. The decrease was primarily due to our development and redevelopment activities increasingly being funded through the sale of existing communities as opposed to incurring debt or selling equity.

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 borrowing capacity under our credit facility. We anticipate that we can satisfy any short-term liquidity needs not satisfied by current operating cash flows from our credit facility.

We believe our principal long-term liquidity needs are the repayment or refinancing 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.

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

- hiring, training and retaining associates with a strong resident service focus, which should lead to higher rents, lower turnover and reduced operating costs;
- 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;
- 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;

28

- 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 credit ratings levels can be maintained;
- following accounting practices that provide a high level of quality to reported earnings; and
- 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.

Variable Rate Unsecured Credit Facility

Our variable rate unsecured credit facility is furnished by a consortium of banks and provides up to \$600,000,000 in short-term credit. We pay these banks an annual facility fee of \$900,000 in equal quarterly installments. The credit facility bears interest at varying rates tied to the London Interbank Offered Rate (LIBOR) based on ratings levels achieved on our unsecured notes and on a maturity selected by us. The current stated pricing is LIBOR plus 0.6% per annum. The credit 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 credit facility. The competitive bid option may result in lower pricing if market conditions allow. Pricing under the competitive bid option resulted in average pricing of LIBOR plus .43% for amounts most recently borrowed under the competitive bid option. At August 1, 2000, \$138,011,000 was outstanding, \$82,774,000 was used to provide letters of credit and \$379,215,000 was available for borrowing under the credit facility. We intend to use borrowings under the credit 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 us in managing

our interest rate risks and exposure.

Financing Commitments/Transactions Completed

During July 2000, we issued \$150,000,000 of medium-term notes. The notes bear interest at 8.25%, and will mature on July 15, 2008. We used the net proceeds of approximately \$149,000,000 to repay amounts outstanding under our unsecured credit facility.

29

Future Financing and Capital Needs

As of June 30, 2000, we had 16 new communities under construction either by us or by unaffiliated third parties with whom we have entered into forward purchase commitments. As of June 30, 2000, a total estimated cost of \$186,618,000 remained to be invested in these communities. In addition, we had six other communities under reconstruction, for which an estimated \$48,776,000 remained to be invested as of June 30, 2000.

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 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 our credit facility. We believe these sources of capital will be adequate to take the proposed communities to the point in the development cycle where construction can begin.

We have observed and been impacted by a reduction in the availability of cost effective capital since the third quarter of 1998. While the capital market environment has improved during 2000, we cannot assure you that cost effective capital will be available to meet future expenditures required to begin planned reconstruction activity or the construction of the Development Rights. Before planned reconstruction activity or the construction of a Development Right begins, we intend to arrange adequate financing to complete these undertakings, although we cannot assure you that we will be able to obtain such financing. In the event that financing cannot be obtained, we may have to abandon Development Rights, write-off associated pursuit costs and/or forego reconstruction activity. In such instances, we will not realize the increased revenues and earnings that we expected from such pursuits, and the related write-off of costs will increase current period expenses and reduce Funds from Operations.

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, we determined that we would pursue a disposition strategy for certain assets in markets that did not meet our 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 have disposed of five communities since January 1, 2000. The net proceeds from the sale of these assets were approximately \$89,579,000. 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 June 30, 2000 totaled \$75,371,000. Certain individual assets are secured by mortgage indebtedness which may be assumed by the purchaser or repaid from our net sales proceeds. Our

30

Condensed Consolidated Statements of Operations include net income from the communities held for sale of \$1,315,000 for the three months ended June 30, 2000 and \$2,556,000 for the six months ended June 30, 2000. Our Condensed Consolidated Statements of Operations include net income from the communities held for sale of \$635,000 for the three months ended June 30, 1999 and \$1,142,000 for the six months ended June 30, 1999.

Because the proceeds from the sale of communities are used initially to reduce borrowings under our credit 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 credit facility:

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS)

COMMUNITY	ALL-IN INTEREST RATE (1)	PRINCIPAL MATURITY DATE	BALANCE OUTSTANDING	
			12-31-99	6-30-00

	<C>	<C>	<C>	<C>

<S>				
TAX-EXEMPT BONDS				
FIXED RATE				
37,262 Canyon Creek	6.48%	Jun 2025	\$ 37,535	\$
33,100 Waterford	5.88%	Aug 2014	33,100	
20,140 City Heights	5.80%	Jun 2025	20,263	
19,103 CountryBrook	7.87%	Mar 2012	19,264	
18,300 Villa Mariposa	5.88%	Mar 2017	18,300	
16,902 Sea Ridge	6.48%	Jun 2025	17,026	
16,800 Foxchase I	5.88%	Nov 2007	16,800	
12,750 Barrington Hills	6.48%	Jun 2025	12,843	
9,600 Foxchase II	5.88%	Nov 2007	9,600	
9,580 Fairway Glen	5.88%	Nov 2007	9,580	
8,215 Crossbrook	6.48%	Jun 2025	8,273	
7,400 Larkspur Canyon	5.50%	Jun 2025	7,445	
18,635 Avalon View	7.55%	Aug 2024	18,795	
14,476 Avalon at Lexington	6.56%	Feb 2025	14,602	
13,488 Avalon Knoll	6.95%	Jun 2026	13,580	
12,360 Avalon at Dulles	7.04%	Jul 2024	12,360	
11,684 Avalon Fields	7.57%	May 2027	11,756	
9,780 Avalon at Symphony Glen	7.06%	Jul 2024	9,780	
8,606 Avalon West	7.73%	Dec 2036	8,632	
6,674 Avalon Landing	6.85%	Jun 2026	6,721	
			-----	-----
			306,255	

VARIABLE RATE				
27,305 Avalon Devonshire		Dec 2025	27,305	
11,500 Avalon at Fairway Hills I		Jun 2026	11,500	
Laguna Brisas		Mar 2009	10,400	

10,400	Avalon Ridge			May 2026	18,755	
18,755						-----
--						-----
67,960					67,960	
CONVENTIONAL LOANS:						
FIXED RATE						
	\$100 Million	Unsecured Notes	7.375%	Sep 2002	100,000	
100,000	\$100 Million	Unsecured Notes	6.625%	Jan 2005	100,000	
100,000	\$110 Million	Unsecured Notes	6.875%	Dec 2007	110,000	
110,000	\$50 Million	Unsecured Notes	6.25%	Jan 2003	50,000	
50,000	\$50 Million	Unsecured Notes	6.50%	Jan 2005	50,000	
50,000	\$50 Million	Unsecured Notes	6.625%	Jan 2008	50,000	
50,000	\$100 Million	Unsecured Notes	6.50%	Jul 2003	100,000	
100,000	\$150 Million	Unsecured Notes	6.80%	Jul 2006	150,000	
150,000	\$125 Million	Medium Term Notes	6.58%	Feb 2004	125,000	
125,000	\$150 Million	Medium Term Notes	7.50%	Jul 2009	150,000	
150,000	Governor's Square		7.65%	Aug 2004	13,923	
13,848	The Arbors		7.25%	May 2004	12,870	
12,870	Gallery Place		7.31%	May 2001	11,272	
11,160	Avalon Walk II		8.93%	Nov 2004	12,541	
12,424	Avalon Pines		8.00%	Dec 2003	5,226	-
- (2)						-----
--						-----
1,035,302					1,040,832	
VARIABLE RATE-NONE						
-					--	-
--						-----
TOTAL INDEBTEDNESS - EXCLUDING CREDIT FACILITY					\$ 1,415,047	\$
1,408,117					=====	

<CAPTION>

(DOLLARS IN THOUSANDS)

		SCHEDULED MATURITIES				
		2000	2001	2002	2003	2004
-----	COMMUNITY					
	THEREAFTER					

<S>		<C>	<C>	<C>	<C>	<C>
<C>						
TAX-EXEMPT BONDS						
FIXED RATE						
	Canyon Creek	\$ 281	\$ 594	\$ 637	\$ 684	\$ 733
\$ 34,333	Waterford	--	--	--	--	--
33,100	City Heights	127	268	288	308	331
18,818	Country Brook	169	357	386	417	451
17,323	Villa Mariposa	--	--	--	--	--
18,300	Sea Ridge	127	270	289	310	332
15,574	Foxchase I	--	--	--	--	--
16,800	Barrington Hills	97	203	218	234	251
11,747						

9,600	Foxchase II	--	--	--	--	--
9,580	Fairway Glen	--	--	--	--	--
7,591	Crossbrook	59	126	136	146	157
6,918	Larkspur Canyon	46	98	105	112	121
16,920	Avalon View	170	350	373	397	425
13,155	Avalon at Lexington	129	271	288	307	326
12,503	Avalon Knoll	95	200	214	230	246
12,360	Avalon at Dulles	--	--	--	--	--
10,910	Avalon Fields	75	157	169	180	193
9,780	Avalon at Symphony Glen	--	--	--	--	--
8,326	Avalon West	27	57	61	65	70
6,177	Avalon Landing	48	101	108	116	124
		-----	-----	-----	-----	-----
289,815		1,450	3,052	3,272	3,506	3,760
	VARIABLE RATE					
27,305	Avalon Devonshire	--	--	--	--	--
11,500	Avalon at Fairway Hills I	--	--	--	--	--
10,400	Laguna Brisas	--	--	--	--	--
18,755	Avalon Ridge	--	--	--	--	--
		-----	-----	-----	-----	-----
67,960		--	--	--	--	--
	CONVENTIONAL LOANS:					
	FIXED RATE					
--	\$100 Million Unsecured Notes	--	--	100,000	--	--
100,000	\$100 Million Unsecured Notes	--	--	--	--	--
110,000	\$110 Million Unsecured Notes	--	--	--	--	--
--	\$50 Million Unsecured Notes	--	--	--	50,000	--
50,000	\$50 Million Unsecured Notes	--	--	--	--	--
50,000	\$50 Million Unsecured Notes	--	--	--	--	--
--	\$100 Million Unsecured Notes	--	--	--	100,000	--
150,000	\$150 Million Unsecured Notes	--	--	--	--	--
--	\$125 Million Medium Term Notes	--	--	--	--	125,000
150,000	\$150 Million Medium Term Notes	--	--	--	--	--
--	Governor's Square	78	165	178	193	13,234
--	The Arbors	--	--	--	--	12,870
--	Gallery Place	118	11,042	--	--	--
--	Avalon Walk II	124	264	288	315	11,433
--	Avalon Pines	--	--	--	--	--
		-----	-----	-----	-----	-----
610,000		320	11,471	100,466	150,508	162,537
--	VARIABLE RATE-NONE	--	--	--	--	--
		-----	-----	-----	-----	-----
	TOTAL INDEBTEDNESS - EXCLUDING CREDIT FACILITY	\$ 1,770	\$ 14,523	\$ 103,738	\$ 154,014	\$ 166,297
	\$ 967,775					

=====
</TABLE>

- (1) Includes credit enhancement fees, facility fees, and trustee fees.
- (2) The remaining loan balance was repaid in connection with the disposition of Avalon Pines in June 2000.

31

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.

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. This development is being conducted through a corporation (the "Software Company") in which we hold a majority economic interest and in which two other REITs, United Dominion Realty Trust, Inc. ("United Dominion") and Post Properties, Inc. ("Post"), hold direct or indirect economic interests. The systems and system software being developed by this entity 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 other REITs who have invested in the Software Company. The actual programming and documentation of the system is being conducted by our employees, the employees of United Dominion, and third-party consultants under the supervision of these experienced project managers. We currently expect that the total cost to develop the system will be approximately \$8.0 million, including hardware costs and expenses, the costs of employees and related overhead, and the costs of engaging third-party consultants. These development costs are currently being funded by the Software Company by issuing equity and debt to the REITs that have acquired an interest in the Software Company. 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") at the end of 2000 and that the system will be functional and implemented during early 2001.

We believe that when implemented the system will result in revenue enhancements and cost savings due to increased data reliability and efficiencies in management time and overhead, and that these savings will be partially offset by the costs 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 we are developing and therefore the Software Company may have an opportunity to recover, in the future, a portion of invested capital by licensing the system to others. Future investments in the Software Company by its current stockholders may also be limited if the Software Company issues equity to other investors. However, at the present time these sources of revenues and funds are speculative, and we cannot assure that the system will provide sufficient benefits to offset AvalonBay's investment in the Software Company to date. AvalonBay and the two other REITs that have invested in the Software Company have agreed to license the software from such entity upon completion for a fee that varies with the number of apartment homes of such REIT.

32

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:

- the Software Company may not be able to maintain the schedule or budget that we have projected for the development and implementation of the system;
- the Software Company may be unable to implement the system with the functionality and efficiencies we desire on commercially reasonable terms;
- the system may not be attractive to other enterprises and the Software Company 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, and AvalonBay's investment in the Software Company may not provide a meaningful source of revenue for AvalonBay.

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.

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 then 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:

- 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.

Development Communities

As of June 30, 2000, we had nine Development Communities under construction. We expect these Development Communities, when completed, to add a total of 2,542 apartment homes to our portfolio for a total capitalized cost, including land acquisition costs, of approximately \$397.8 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 eight 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>

stabilization	Number of apartment homes	Budgeted cost (1) (\$ millions)	Construction start	Initial occupancy (2)	Estimated completion date	Estimated completion date (3)
--						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1. Avalon Essex Peabody, MA	154	\$ 21.4	Q2 1999	Q2 2000	Q3 2000	Q4 2000
2. Avalon at Florham Park Florham Park, NJ	270	\$ 41.0	Q2 1999	Q1 2000	Q2 2001	Q4 2001
3. Avalon River Mews Edgewater, NJ	408	\$ 75.6	Q3 1999	Q1 2001	Q3 2001	Q1 2002
4. Avalon Haven North Haven, CT	128	\$ 14.4	Q3 1999	Q2 2000	Q4 2000	Q1 2001
5. Avalon Bellevue Bellevue, WA	202	\$ 29.9	Q4 1999	Q1 2001	Q2 2001	Q3 2001
6. Avalon at Arlington Square I Arlington, VA	510	\$ 69.9	Q4 1999	Q4 2000	Q4 2001	Q3 2002
7. Avalon on the Sound (4) New Rochelle, NY	412	\$ 92.1	Q4 1999	Q3 2001	Q4 2001	Q3 2002
8. Avalon Estates Hull, MA	162	\$ 20.4	Q4 1999	Q4 2000	Q2 2001	Q4 2001
9. Avalon Manor Freehold, NJ	296	\$ 33.1	Q2 2000	Q1 2001	Q4 2001	Q2 2002
Total	2,542	\$ 397.8				

</TABLE>

- (1) Total budgeted cost includes all capitalized costs projected to be incurred to develop the respective Development Community, including land acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees determined in accordance with GAAP.
- (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 with third party financing. AvalonBay's portion of the budgeted cost is expected to be \$13.3 million.

Redevelopment Communities

As of June 30, 2000, we had six communities under redevelopment. We expect the total budgeted cost to complete these Redevelopment Communities, including the cost of acquisition and redevelopment, to be approximately \$263.1 million, of which approximately \$68.1 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 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 redevelopment 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:

<TABLE>
<CAPTION>

Estimated restabilized operations (3)	Number of apartment homes	(\$ millions)				
		Acquisition cost	Total cost (1)	Reconstruction start	Reconstruction completion (2)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1. Avalon Greenbriar (4) Renton, WA 2000	421	\$ 25.3	\$ 35.7	Q3 1998	Q3 2000	Q3
2. Avalon at Mission Bay San Diego, CA 2000	564	\$ 43.8	\$ 57.3	Q3 1998	Q3 2000	Q3
3. Avalon at Creekside Mountain View, CA 2000	294	\$ 29.0	\$ 39.8	Q2 1999	Q3 2000	Q4
4. Laguna Brisas Laguna Niguel, CA 2000	176	\$ 17.2	\$ 21.2	Q3 1999	Q3 2000	Q4
5. Avalon at Cortez Hill San Diego, CA 2001	293	\$ 24.4	\$ 33.8	Q1 2000	Q1 2001	Q2
6. Lakeside Burbank, CA 2002	748	\$ 55.3	\$ 75.3	Q1 2000	Q1 2002	Q2
Total	2,496	\$ 195.0	\$ 263.1			

</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 GAAP.
- (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.
- (4) Formerly named Avalon Ridge.

Development Rights

As of June 30, 2000, we are considering the development of 33 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 8,859 upscale apartment homes to our portfolio. At June 30, 2000, the cumulative capitalized costs incurred in pursuit of the 33 Development Rights, including the cost of land acquired in connection with eight of the Development Rights, was approximately \$100.4 million, of which \$66.6 million was land or deposits for

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, Connecticut is controlled through a joint venture partnership that owns the land. The properties comprising the Development Rights are in different stages of the due diligence and regulatory approval process. The decisions as to which of the Development Rights to pursue, if any, or to continue to pursue once an investment in a Development Right is made are business judgments that we make after we perform financial, demographic and other analysis. 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 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.

36

The following presents a summary of the 33 Development Rights we are pursuing as of June 30, 2000:

<TABLE>
<CAPTION>

Location	Estimated number of homes	Total budgeted costs (\$ millions)
-----	-----	-----
<S>	<C>	<C>
1. Mountain View, CA (1)	211	\$60
2. San Jose, CA (1)	218	42
3. Stamford, CT (1)	323	61
4. Orange, CT (1)	168	18
5. New Canaan, CT (1) (2)	104	26
6. Darien, CT (1)	189	37
7. Yonkers, NY	256	35
8. Greenburgh, NY	500	83
9. Greenburgh, NY	266	44
10. Arlington, VA (1)	332	40
11. Hopewell, NJ	280	34
12. Port Jefferson, NY	232	28
13. Yorktown, NY	396	47
14. Marlborough, MA	202	22
15. Wilton, CT	113	21
16. North Potomac, MD	564	64
17. Los Angeles, CA	309	39
18. Weymouth, MA	304	33
19. San Diego, CA (1)	378	54
20. Long Island City, NY	372	90
21. Coram, NY	450	61
22. Westborough, MA	386	44
23. Lawrence, NJ	342	38
24. Wilmington, MA	120	16
25. North Bethesda, MD	414	42
26. San Francisco, CA	250	70
27. Andover, MA	156	20
28. Seattle, WA	100	19
29. Washington, D.C.	209	42
30. Bedford, MA	156	20
31. Newton, MA	272	48
32. St. James, NY	112	16
33. Seattle, WA	175	31
-----	-----	-----
Totals	8,859	\$1,345
=====	=====	=====

</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.

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 and capital 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;

37

- 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 redevelopment communities complete lease-up will be sufficient to fully offset the effects of any increased construction or reconstruction costs.

Capitalized Interest

In accordance with generally accepted accounting principles, we capitalize interest expense during construction or reconstruction until a building obtains

a certificate of occupancy. Thereafter, the interest allocated to that completed building within the community is expensed. Capitalized interest totaled \$4,163,000 for the three months ended June 30, 2000 and \$7,657,000 for the six months ended June 30, 2000. Capitalized interest totaled \$5,866,000 for the three months ended June 30, 1999 and \$13,149,000 for the six months ended June 30, 1999.

38

PART I. FINANCIAL INFORMATION (CONTINUED)

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in certain ordinary routine litigation incidental to the conduct of our business. In addition, as reported in the Company's Form 10-K for the year ended December 31, 1999, we are currently involved in litigation with York Hunter Construction, Inc., and National Union Fire Insurance Company. While the outcome of such litigation cannot be predicted with certainty, we do not expect any current litigation, including the litigation with York Hunter and National Union, to have a material effect on our business or financial condition.

Item 2. Changes in Securities

During the three months ended June 30, 2000, the Company issued 112,540 shares of common stock in exchange for units of limited partnership held by limited partners of DownREIT partnership subsidiaries of the Company. Specifically, the Company issued 48,677 shares of common stock in exchange for units in Avalon DownREIT V, L.P., and 63,863 shares of common stock in exchange for units in Bay Countrybrook, L.P. These shares were issued in reliance on exemptions from registration under Section 4(2) of the Securities Act of 1933. The Company is relying on the exemptions based upon factual representations received from the limited partners who received these shares.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its 2000 Annual Meeting of Stockholders on May 10, 2000. The stockholders voted to elect Gilbert M. Meyer, Richard L. Michaux, Bruce A. Choate, Michael A. Futterman, John J. Healy, Jr., Brenda J. Mixson, Lance R. Primis and Allan D. Schuster to serve as directors of the Company until the 2001 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified.

41,999,830 votes were cast for, and 12,438,905 votes were withheld from the election of Mr. Meyer.

42,526,388 votes were cast for, and 11,912,347 votes were withheld from the election of Mr. Michaux.

54,310,967 votes were cast for, and 127,767 votes were withheld from the election of Mr. Choate.

52,659,485 votes were cast for, and 1,779,249 votes were withheld from the election of Mr. Futterman.

39

54,310,881 votes were cast for, and 127,853 votes were withheld from the election of Mr. Healy.

54,310,063 votes were cast for, and 128,671 votes were withheld from the election of Ms. Mixson.

54,310,713 votes were cast for, and 128,021 votes were withheld from the election of Mr. Primis.

54,311,341 votes were cast for, and 127,393 votes were withheld from the election of Mr. Schuster.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) EXHIBITS

Exhibit No. Description

- 3(i).1 -- Articles of Amendment and Restatement of Articles of Incorporation of AvalonBay Communities (the "Company"), dated as of June 4, 1998. (Incorporated by reference to Exhibit 3(i).1 to Form 10-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.)
- 40
- 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 -- Amended and Restated Third Supplemental Indenture, dated as of July 10, 2000 between the Company and the Trustee, including forms of Floating Rate Note and Fixed Rate Note (Incorporated by reference to Exhibit 4.4 to Form 8-K filed on July 11, 2000.)
- 4.9 -- Dividend Reinvestment and Stock Purchase Plan of the Company filed on September 14, 1999. (Incorporated by reference to Form 3-S of the Company, File No. 333-87063.)
- 4.10 -- 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.)

- 4.11 -- Shareholder Rights Agreement, dated as of 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.)
 - 4.12 -- 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 of Form 8-A/A of the Company filed February 28, 2000.)
 - 12.1 -- Statements re: Computation of Ratios.
 - 27.1 -- Financial Data Schedule.
- (b) REPORTS ON FORM 8-K
- None

41

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AVALONBAY COMMUNITIES, INC.

Date: August 14, 2000 /s/ RICHARD L. MICHAUX

Richard L. Michaux
President and Chief Executive Officer

Date: August 14, 2000 /s/ THOMAS J. SARGEANT

Thomas J. Sargeant
Executive Vice President, Chief Financial Officer

42

EXHIBIT 12.1

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

<TABLE>
<CAPTION>

	Six Months Ended June 30, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998
<S>	<C>	<C>	<C>
Net Operating Income	\$ 97,829	\$ 172,276	\$ 123,535
(Less) Nonrecurring item:			
Gain on sale	\$ (18,752)	\$ (47,093)	\$ (25,270)
Non-recurring charges	-	16,782	-
(Plus) Extraordinary item:			
Unamortized loan fee write-off	\$ -	\$ -	\$ 245
(Plus) Fixed charges:			
Portion of rents representative of the interest factor	\$ 221	\$ 526	\$ 293
Interest expense	40,430	74,699	54,650
Interest capitalized	7,657	21,888	14,724
Debt cost amortization	1,328	2,624	2,068
Preferred dividend	19,890	39,779	28,132
Total fixed charges (1)	\$ 69,526	\$ 139,516	\$ 99,867
(Less):			
Interest capitalized	\$ 7,657	\$ 21,888	\$ 14,724
Preferred dividend	19,890	39,779	28,132
Adjusted earnings (2)	\$ 121,056	\$ 219,814	\$ 155,521
Ratio (2 divided by 1)	1.74	1.58	1.56

</TABLE>

<TABLE>
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	Year Ended December 31, 1997	Year Ended December 31, 1996	Year Ended December 31, 1995
<S>	<C>	<C>	<C>
Net Operating Income	\$ 64,916	\$ 51,651	\$ 30,937
(Less) Nonrecurring item:			
Gain on sale	\$ (677)	\$ (7,850)	\$ -
Non-recurring charges	-	-	-
(Plus) Extraordinary item:			
Unamortized loan fee write-off	\$ 1,183	\$ 2,356	\$ 1,158
(Plus) Fixed charges:			
Portion of rents representative of the interest factor	\$ 172	\$ 150	\$ 117
Interest expense	16,977	9,545	11,056
Interest capitalized	9,024	12,883	6,004
Debt cost amortization	700	1,842	1,869
Preferred dividend	19,656	10,422	-
Total fixed charges (1)	\$ 46,529	\$ 34,842	\$ 19,046
(Less):			
Interest capitalized	\$ 9,024	\$ 12,883	\$ 6,004
Preferred dividend	19,656	10,422	-
Adjusted earnings (2)	\$ 83,271	\$ 57,694	\$ 45,137
Ratio (2 divided by 1)	1.79	1.66	2.37

</TABLE>

EXHIBIT 12.1 (CONTINUED)

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	Six Months Ended June 30, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998
<S>	<C>	<C>	<C>
Net Operating Income	\$ 97,829	\$ 172,276	\$ 123,535
(Less) Nonrecurring item:			
Gain on sale	\$ (18,752)	\$ (47,093)	\$ (25,270)
Non-recurring charges	-	16,782	-
(Plus) Extraordinary item:			
Unamortized loan fee write-off	\$ -	\$ -	\$ 245
(Plus) Fixed charges:			
Portion of rents representative of the interest factor	\$ 221	\$ 526	\$ 293
Interest expense	40,430	74,699	54,650
Interest capitalized	7,657	21,888	14,724
Debt cost amortization	1,328	2,624	2,068
Total fixed charges (1)	\$ 49,636	\$ 99,737	\$ 71,735
(Less):			
Interest capitalized	\$ 7,657	\$ 21,888	\$ 14,724
Adjusted earnings (2)	\$ 121,056	\$ 219,814	\$ 155,521
Ratio (2 divided by 1)	2.44	2.20	2.17

</TABLE>

<TABLE>
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	Year Ended December 31, 1997	Year Ended December 31, 1996	Year Ended December 31, 1995
<S>	<C>	<C>	<C>
Net Operating Income	\$ 64,916	\$ 51,651	\$ 30,937
(Less) Nonrecurring item:			
Gain on sale	\$ (677)	\$ (7,850)	\$ -
Non-recurring charges	-	-	-
(Plus) Extraordinary item:			
Unamortized loan fee write-off	\$ 1,183	\$ 2,356	\$ 1,158
(Plus) Fixed charges:			
Portion of rents representative of the interest factor	\$ 172	\$ 150	\$ 117
Interest expense	16,977	9,545	11,056
Interest capitalized	9,024	12,883	6,004
Debt cost amortization	700	1,842	1,869
Total fixed charges (1)	\$ 26,873	\$ 24,420	\$ 19,046
(Less):			
Interest capitalized	\$ 9,024	\$ 12,883	\$ 6,004
Adjusted earnings (2)	\$ 83,271	\$ 57,694	\$ 45,137
Ratio (2 divided by 1)	3.10	2.36	2.37

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