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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1998

Commission file number 1-12672

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

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

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

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

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

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

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

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 [ ]

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

The aggregate market value of the voting stock held by nonaffiliates of the Registrant, as of March 1, 1999 was $2,015,257,270.

The number of shares of the Registrant's Common Stock, par value $.01 per share, outstanding as of March 1, 1999 was 64,103,611.

Documents Incorporated by Reference

Portions of AvalonBay Communities Inc.'s Proxy Statement for the 1999 annual meeting of stockholders, a definitive copy of which will be filed with the SEC within 120 days after the end of the year covered by this Form 10-K, are incorporated by reference herein as portions of Part III of this Form 10-K.

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PART I

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Company's actual results could differ materially from those set forth in each forward-looking statement. Certain factors that might cause such a difference are discussed in the section entitled "Forward-Looking Statements" on page 34 of this Form 10-K.

ITEM 1. BUSINESS

General

AvalonBay Communities, Inc. (together with its subsidiaries, except as the context may otherwise require, the "Company") is a Maryland corporation that has elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended. The Company focuses on the ownership and operation of institutional-quality apartment communities in high barrier-to-entry markets of the United States. These markets are located in Northern and Southern California and selected states in the Mid-Atlantic, Northeast, Midwest and Pacific Northwest regions of the country. The Company is the surviving corporation from the merger (the "Merger") of Avalon Properties, Inc. ("Avalon") with and into the Company (sometimes hereinafter referred to as "Bay" before the Merger) on June 4, 1998. In connection with the Merger, the Company changed its name from Bay Apartment Communities, Inc. to AvalonBay Communities, Inc.

As of March 1, 1999, the Company owned or had an interest in 127 apartment communities containing 37,910 apartment homes in sixteen states and the District of Columbia, of which 13 communities containing 4,854 apartment homes were under redevelopment. The Company also owned 14 communities under development that will contain 3,262 apartment homes and rights to develop an additional 27 communities that, if developed, will contain an estimated 7,239 apartment homes. The Company obtains ownership in an apartment community by developing vacant land into a new community or by acquiring and either repositioning or redeveloping an existing community. In selecting sites for development, redevelopment or acquisition, the Company favors locations with close proximity to expanding employment centers and convenience to recreation areas, entertainment, shopping and dining.

The Company's principal operating objectives are to increase operating cash flow and Funds from Operations ("FFO") and, as a result, long-term stockholder value. Management's strategies to achieve these objectives include:

- generating consistent, sustained earnings growth at each community through increased revenue (balancing high occupancy with premium pricing) and increased operating margins (from aggressive operating expense management);

- investing selectively in new acquisition, development and redevelopment communities in certain targeted market areas with high barriers-to-entry and, when appropriate, selectively disposing of communities which no longer meet the Company's investment objectives; and

- maintaining a conservative capital structure to provide continued access to capital markets at a low cost.

Management believes that these strategies are generally best implemented by acquiring, building, rebuilding and managing institutional-quality assets in supply-constrained markets while maintaining the financial discipline to ensure balance sheet flexibility. Management believes that these strategies will lead to higher occupancy levels, increased rental rates and predictable and growing cash flow, although the Company cannot provide assurance that such results will be achieved.

Acquisition and Disposition Strategy. The Company's acquisition strategy generally has focused on individual, opportunistic investments. During 1997, however, Bay and Avalon each completed significant portfolio acquisitions, Bay in Southern California and Avalon in the Midwest. In addition, during March 1998, Avalon announced that it had agreed to purchase ten communities to be developed (i.e., a purchase on a presale basis) from

an unaffiliated developer primarily in the Pacific Northwest and Midwest regions of the country. The presale acquisitions are expected to close during the next 9 to 42 months. The ten presale communities are to be acquired for an estimated aggregate purchase price of $387 million. Together, these communities are expected to contain 2,980 apartment homes when completed. The Company will manage these communities after acquiring ownership. This expansion is consistent with the Company's strategy to achieve long term earnings growth by providing a high quality platform for expansion while also providing additional economic and geographic diversity. These portfolio acquisitions achieved rapid penetration into supply-constrained markets new to Avalon and Bay. Management believes that through the Company's acquisition strategy, the Company has now targeted and penetrated many of the high barrier-to-entry markets of the United States.

The Company expects to continue the disposition of assets that do not meet its long-term strategic vision. While current market conditions prevail, Management anticipates reinvesting capital obtained from dispositions into development and redevelopment of existing communities that offer greater investment returns and long-term growth potential than those communities identified for disposition. However, the Company cannot provide assurance that it will be able to complete its disposition strategy or that assets identified for sale can be sold on terms that are satisfactory to the Company.

Development Strategy. Management's development strategy is to carefully select land for development and to follow established procedures that are designed to minimize both the cost and the risks of development. As one of the largest developers of multifamily apartment communities in high barrier-to-entry markets of the United States, the Company's regional offices identify development opportunities through their local market presence and access to local market information. In addition to the Company's principal executive offices in Alexandria, Virginia, the Company maintains super-regional offices in San Jose, California and Wilton, Connecticut. The Company also has regional acquisition, development, redevelopment, construction, reconstruction or administrative offices in or near Boston, Massachusetts; Chicago, Illinois; Minneapolis, Minnesota; New York, New York; Newport Beach, California; Princeton, New Jersey; Richmond, Virginia; and Seattle, Washington.

After selecting a target site, the Company negotiates for the right to acquire the site either through an option or a long-term conditional contract. After land is acquired, the focus is generally shifted to construction. Except for certain mid-rise and high-rise apartment communities where third-party general contractors have historically been used, the Company has acted as its own general contractor. Management believes this achieves higher quality, greater control over schedules and significant cost savings. Construction progress is monitored by the development team and the property management team to ensure high quality workmanship and a smooth and timely transition into the leasing and operational phase.

Redevelopment Strategy. The Company's redevelopment strategy is to selectively seek existing under-managed apartment communities in fully-developed neighborhoods and create value by substantially re-building them at significantly below replacement cost to a quality which is believed to be the highest quality apartment community or best rental value for an institutional-quality apartment community in its local area. Procedures have been established that are designed to minimize both the cost and risks of redevelopment. Redevelopment progress is monitored by redevelopment teams, which include key redevelopment, construction and property management personnel. The Company's Management believes significant cost savings are achieved by acting as its own general contractor. More importantly, this ensures high quality design and workmanship and a smooth and timely transition into the lease-up and re-stabilization phase.

Property Management Strategy. Management intends to increase earnings through innovative, proactive property management that will result in higher revenue from communities. Intense focus on resident satisfaction, increasing rents as market conditions permit and managing community occupancy for optimal rental revenue levels comprise the Company's principal strategies for maximizing revenue. Generally, lease terms are staggered based on vacancy exposure by apartment type, so that lease expirations are better matched to each community's traffic patterns. On-site property management teams receive bonuses based largely upon the net operating income produced at their respective communities. The Company is also pursuing ancillary services which could provide additional revenue sources.

Controlling operating expenses is another way in which Management intends to increase earnings growth. An increase in growth in the Company's portfolio and the resulting increase in revenue allows for fixed operating costs to be spread over a larger volume of revenue, thereby increasing operating margins. The Company also

aggressively pursues real estate tax appeals and scrutinizes other operating costs. Invoices are recorded on-site to ensure the careful monitoring of budgeted versus actual expenses, supplies are purchased in bulk where possible, third-party contracts are bid on a volume basis, turnover work is performed in-house or by third-parties generally depending upon the least costly alternative and preventive maintenance is undertaken regularly to maximize resident satisfaction and property and equipment life. In addition, the Company strives to retain residents through high levels of service in order to eliminate the cost of preparing an apartment home for a new resident and to reduce marketing and utilities costs.

The Company also manages properties for third parties, believing that doing so will provide information about new markets or provide an acquisition opportunity, thereby enhancing opportunities for growth.

Financing Strategy. The Company has consistently maintained, and intends to continue to maintain, a conservative capital structure, largely comprised of common equity. At December 31, 1998, debt-to-total market capitalization was 35.7%, and permanent long-term floating rate debt (not including borrowings under the Unsecured Facility) was only 1.4% of total market capitalization. Management currently intends to limit long-term floating rate debt to less than 10% of total market capitalization, although that policy may change from time to time.

The industry and the Company have seen a reduction in the availability of cost effective capital over the last nine months. No assurance can be provided that cost effective capital will be available to meet future expenditures required to commence planned reconstruction activity or the construction of the Development Rights (as hereinafter defined). Before planned reconstruction activity or the construction of a Development Right commences, the Company intends to arrange adequate liquidity sources to complete such undertakings, although no assurance can be given in this regard.

Management estimates that a significant portion of the Company's liquidity needs will be met from retained operating cash and borrowings under the Company's $600,000,000 variable rate unsecured credit facility (the "Unsecured Facility"). At March 1, 1999, $285,500,000 was outstanding, $30,200,000 was used to provide letters of credit and $284,300,000 was available for borrowing under the Unsecured Facility. To meet the balance of the Company's liquidity needs, it will be necessary to arrange additional capacity under the Company's existing Unsecured Facility, sell existing communities and/or issue additional debt or equity securities. While Management believes the Company has the financial position to expand its short term credit capacity and support such capital markets activity, no assurance can be provided that the Company will be successful in completing these arrangements, sales or offerings. If these transactions cannot be completed on a cost-effective basis, then a continuation of the current capital market conditions described herein could have a material adverse impact on the operating results and financial condition of the Company, including the abandonment of deferred development costs and a charge to earnings.

Strong Earnings Growth Record. Earnings growth for 1998 was greater than the two predecessor companies would have achieved separately. This is reflected in the 17.5% increase in dividends declared for 1998 as compared to Bay's dividends for 1997 and a 21% quarter-to-quarter increase. Additionally, for the year ended December 31, 1998, FFO (reflecting the operating results for Bay through June 4, 1998 and for the combined company after that date) increased to $144,152,000 from $62,417,000 for the year ended December 31, 1997.

Management generally considers FFO to be an appropriate measure of the Company's operating performance because it provides investors with an understanding of the Company's ability to incur and service debt and to make capital expenditures. Management believes that in order to facilitate a clear understanding of the Company's operating results, FFO should be examined in conjunction with net income as presented in the Company's consolidated financial statements.

FFO is determined in accordance with a definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts, and is defined as net income (loss) computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sales of property, plus depreciation of real estate assets and after adjustments for unconsolidated partnerships and joint

ventures. FFO does not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative to net income as an indication of the Company's performance or to net cash flows from operating activities as determined by GAAP as a measure of liquidity and is not necessarily indicative of cash available to fund cash needs. Further, FFO as disclosed by other REITs may not be comparable to the Company's calculation of FFO.

Inflation and Tax Matters

Substantially all of the leases at the Current Communities (as hereinafter defined) are for a term of one year or less, which may enable the Company to realize increased rents upon renewal of existing leases or commencement of new leases. Such short-term leases generally minimize the risk to the Company of the adverse effects of inflation, although as a general rule these leases permit residents to leave at the end of the lease term without penalty. The Company's current policy is to permit residents to terminate leases upon a 60-day written notice and payment of one month's rental as compensation for early termination. Short-term leases combined with relatively consistent demand allow rents, and therefore, cash flow from the portfolio to provide an attractive inflation hedge.

The Company filed an election with its initial federal income tax return to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and intends to maintain its qualification as a REIT in the future. As a qualified REIT, with limited exceptions, the Company will not be taxed under federal and certain state income tax laws at the corporate level on its net income to the extent net income is distributed to the Company's stockholders. In addition, due to non-cash charges such as depreciation and amortization, the Company expects that the cash it will distribute to its stockholders will exceed its net income. Under current tax law, this excess, to the extent distributed, will be treated by stockholders as a non-taxable return of capital that will reduce the stockholders' basis in the shares of the Company's Common Stock.

Environmental Matters

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

Certain federal, state and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos-containing materials ("ACMs") when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. Such laws may impose liability for release of ACMs and may provide for third parties to seek recovery from owners or operators of real properties for personal injury associated with ACMs. In connection with its ownership and operation of the communities, the Company potentially may be liable for such costs. The Company is not aware that any ACMs were used in connection with the construction of the communities developed by the Company or by Avalon prior to the Merger. However, the Company is aware that ACMs were used in connection with the construction of certain communities acquired by the Company. The Company does not anticipate that it will incur any material liabilities in connection with the presence of ACMs at these communities. The Company currently has or intends to implement an operations and maintenance program for ACMs at each of the communities at which ACMs have been detected.

All of the Company's stabilized operating communities, and all of the communities that are currently being developed or redeveloped, have been subjected to a Phase I or similar environmental assessment (which generally does not involve invasive techniques such as soil or ground water sampling). These assessments have not revealed any environmental conditions that the Company believes will have a material adverse effect on its business, assets, financial condition or results of operations. The Company is not aware of any other environmental conditions which would have such a material adverse effect.

However, the Company is aware that the migration of contamination from an upgradient landowner near Toscana, a community owned by the Company, has affected the groundwater there. The upgradient landowner is undertaking remedial response actions and the Company expects that the upgradient landowner will take all necessary remediation actions. The upgradient landowner has also provided an indemnity that runs to current and future owners of the Toscana property and upon which the Company may be able to rely if it incurs environmental liability arising from the groundwater contamination. The Company is also aware that certain communities have lead paint and the Company is undertaking or intends to undertake appropriate remediation or management activity.

Additionally, prior to their respective initial public offerings, Bay and Avalon had each been occasionally involved in developing, managing, leasing and operating various properties for third parties. Consequently, each may be considered to have been an operator of such properties and, therefore, potentially liable for removal or remediation costs or other potential costs which could relate to hazardous or toxic substances. The Company is not aware of any material environmental liabilities with respect to properties managed or developed by either Bay or Avalon for such third parties.

The Company cannot provide assurance that:

- the environmental assessments identified all potential environmental liabilities;

- no prior owner created any material environmental condition not known to the Company or the consultants who prepared the assessments;

- no environmental liabilities developed since such environmental assessments were prepared;

- the condition of land or operations in the vicinity of the Company's communities (such as the presence of underground storage tanks) will not affect the environmental condition of such communities; or

- future uses or conditions (including, without limitation, changes in applicable environmental laws and regulations) will not result in the imposition of environmental liability.

ITEM 2. COMMUNITIES

The Company's real estate investments as of March 1, 1999 consist primarily of apartment communities in various stages of the development cycle and land or land options held for development. Such investments can be divided into three categories:

<TABLE>
<CAPTION>

	Number of communities	Number of apartment homes
<S>	<C>	<C>
Current Communities	127	37,910
Development Communities	14	3,262
Development Rights	27	7,239 (*)

</TABLE>

(*) Represents an estimate

"Current Communities" are apartment communities where construction is complete and the community has either reached stabilized occupancy or is in the initial lease-up process or under redevelopment. Current Communities include the following sub-classifications:

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. For evaluation purposes, the Company regards each Stabilized Community as falling into one of three categories:

- West Coast Established Communities. Represents all Stabilized Communities owned by Bay as of January 1, 1997, with stabilized operating costs as of January 1, 1997 such that a comparison of 1997 operating results to 1998 operating results is meaningful. As of March 1, 1999, there were 22 West Coast Established Communities containing 5,702 apartment homes.

- East Coast Established Communities. Represents all Stabilized Communities owned by Avalon as of January 1, 1997 and subsequently acquired by the Company in connection with the Merger, with stabilized operating costs as of January 1, 1997 such that a comparison of 1997 operating results to 1998 operating results is meaningful. As of March 1, 1999, there were 34 East Coast Established Communities containing 10,171 apartment homes.

- Other Stabilized Communities. Represents Stabilized Communities as defined above, but which attained such classification or were acquired after January 1, 1997. As of March 1, 1999, there were 57 Other Stabilized Communities containing 16,473 apartment homes.

Lease-Up Communities. Represents all Current Communities where construction has been complete for less than one year and the communities are in the initial lease-up process. As of March 1, 1999, there was currently one Lease-Up Community containing 710 apartment homes.

Redevelopment Communities. Represents all Current Communities where substantial redevelopment has either begun or is scheduled to begin. Redevelopment is considered substantial when additional capital invested during the reconstruction effort exceeds the lesser of $5 million or 10% of the community's acquisition cost. As of March 1, 1999, there were 13 Redevelopment Communities containing 4,854 apartment homes.

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

"Development Rights" are development opportunities in the early phase of the development process for which the Company has an option to acquire land or owns land to develop a new community and where related pre-development costs have been incurred and capitalized in pursuit of these new developments.

The Company's holdings under each of the above categories are discussed on the following pages.

Current Communities

The Current Communities are primarily garden-style apartment communities consisting of two-and three-story buildings in landscaped settings. The Current Communities, as of March 1, 1999, include 109 garden-style, 13 high-rise and 5 mid-rise apartment communities. The Current Communities offer many attractive amenities including vaulted ceilings, lofts, fireplaces, patios/decks and modern appliances. Other features, at various communities, include swimming pools, fitness centers, tennis courts and business centers. The Company also has an extensive and ongoing maintenance program to keep all communities and apartment homes free of deferred maintenance and, where vacant, available for immediate occupancy. Management believes that excellent design and service oriented property management focused on the specific needs of residents enhances market appeal to discriminating residents and will ultimately achieve higher rental rates and occupancy levels while minimizing resident turnover and operating expenses. These Current Communities are institutional-quality multifamily apartment communities located in the following six geographic markets:

<TABLE>
<CAPTION>

	Number of communities at		Number of apartment homes at		Percentage of total apartment homes at	
	1-1-98	3-1-99	1-1-98	3-1-99	1-1-98	3-1-99
<S>	<C>	<C>	<C>	<C>	<C>	<C>
NORTHERN CALIFORNIA	37	35	9,900	9,538	64.1%	25.2%
Alameda County, CA	9	9	2,523	2,523	16.3%	6.7%
Central Valley, CA	5	3	1,502	850	9.7%	2.2%
San Francisco, CA	5	5	1,062	1,062	6.9%	2.8%
San Mateo County, CA	3	3	703	703	4.6%	1.9%
Santa Clara County, CA	15	15	4,110	4,400	26.6%	11.6%
SOUTHERN CALIFORNIA	14	18	4,850	5,816	31.4%	15.3%
Los Angeles, CA	5	6	2,336	2,561	15.1%	6.8%
Orange County, CA	6	8	1,574	2,022	10.2%	5.3%
San Diego, CA	3	4	940	1,233	6.1%	3.2%
PACIFIC NORTHWEST	3	5	691	1,376	4.5%	3.6%
Portland, OR	1	1	279	279	1.8%	0.7%
Seattle, WA	2	4	412	1,097	2.7%	2.9%
NORTHEAST	--	27	--	9,021	--	23.8%
Boston, MA	--	8	--	2,375	--	6.3%
Fairfield County, CT	--	7	--	2,234	--	5.9%
Hartford, CT	--	1	--	932	--	2.4%
Long Island, NY	--	3	--	575	--	1.5%
Northern New Jersey	--	1	--	504	--	1.3%
Philadelphia, PA	--	4	--	1,504	--	4.0%
Westchester, NY	--	3	--	897	--	2.4%
MID-ATLANTIC	--	30	--	8,825	--	23.3%
Baltimore, MD	--	4	--	1,052	--	2.8%
Norfolk, VA	--	4	--	904	--	2.4%
Northern Virgina	--	10	--	3,711	--	9.8%
Richmond, VA	--	4	--	1,103	--	2.9%
Southern Maryland	--	7	--	1,747	--	4.6%
Washington, DC	--	1	--	308	--	0.8%
MIDWEST	--	12	--	3,334	--	8.8%
Chicago, IL	--	3	--	887	--	2.3%
Cincinnati, OH	--	1	--	264	--	0.7%
Detroit, MI	--	1	--	225	--	0.6%
Indianapolis, IN	--	2	--	376	--	1.0%
Minneapolis, MN	--	4	--	1,102	--	2.9%
St. Louis, MO	--	1	--	480	--	1.3%
	54	127	15,441	37,910	100.0%	100.0%

</TABLE>

All of the Current Communities are managed and operated by the Company. During the year ended December 31, 1998, the Company completed construction of 1,770 apartment homes in four communities for a total cost of $224.8 million. The average age of the Current Communities, on a weighted average basis according to number of apartment homes, is approximately nine years.

Of the Current Communities, the Company held a fee simple ownership interest in 109 operating communities (one of which is on land subject to a 149 year land lease); a general partnership interest in four partnerships that hold a fee simple interest in four other operating communities; a general partnership interest in four partnerships structured as "DownREITs" that own 13 communities; and a 100% interest in a senior participating mortgage note secured by one community. In each of the four partnerships structured as "DownREITs", the Company is the general partner and there are one or more limited partners whose interest in the partnership is denominated in "units of limited partnership interest" ("Units"). For each DownREIT partnership, limited partners who hold Units are entitled to receive certain distributions (a "Stated Distribution") prior to any distribution that such DownREIT partnership makes to the general partner. The Stated Distributions that are paid in respect of the DownREIT Units currently approximate the dividend rate applicable to shares of Common Stock of the Company. Each DownREIT partnership has been

structured in a manner that makes it unlikely that the limited partners thereof will be entitled to any greater distribution than the Stated Distribution. Each holder of Units has the right to require the DownREIT partnership that issued a Unit to redeem that Unit at a cash price equal to the then fair market value of a share of Common Stock of the Company, except that the Company has the right to acquire any Unit so presented for redemption for one share of Common Stock. As of March 1, 1999, there were 894,144 Units outstanding. The DownREIT partnerships are consolidated for financial reporting purposes.

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

<TABLE>
<CAPTION>

	City and State	Number of homes	Approx. rentable area (Sq. Ft.)	Acres	Year built or acquired	Average size (Sq. Ft,)	Physical occupancy at 12/31/98
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CURRENT COMMUNITIES (4)							
NORTHERN CALIFORNIA							
ALAMEDA COUNTY, CA							
Waterford	Hayward, CA	544	451,520	11.1	1985/86	830	93.2%
Hampton Place	Fremont, CA	308	322,168	14.3	1992	1,046	96.4%
Hacienda Gardens	Pleasanton, CA	456	366,168	14.7	1988/94	803	93.2%
Amador Oaks	Dublin, CA	204	179,316	13.0	1989/97	879	94.6%
Willow Creek	Fremont, CA	235	192,700	3.5	1985	820	98.7%
Alicante	Fremont, CA	135	128,520	8.0	1992	952	94.1%
Barrington Hills	Hayward, CA	188	168,636	3.0	1986/94	897	97.3%
Parc Centre	Union City, CA	208	165,568	8.5	1973/96	796	96.2%
Rivershore	Bay Point, CA	245	206,290	12.0	1986/95	842	97.1%
CENTRAL VALLEY, CA							
Governor's Square	Sacramento, CA	302	292,336	8.1	1976/97	968	Redev.
The Pointe	Fairfield, CA	296	259,296	12.6	1991/95	876	96.6%
Blairmore	Rancho Cordova, CA	252	212,436	7.3	1986/94	843	94.8%
SAN FRANCISCO, CA							
Crown Ridge	San Rafael, CA	254	221,742	21.9	1973/96	873	95.7%
Sunset Towers	San Francisco, CA	243	172,044	16.0	1961/96	708	99.2%
City Heights	San Francisco, CA	185	109,335	1.4	1990/95	591	95.7%
Village Square	San Francisco, CA	154	126,434	2.6	1972/94	821	98.7%
Crossbrook	Rohnert Park, CA	226	163,850	9.0	1986/94	725	96.5%
SAN MATEO COUNTY, CA							
Cedar Ridge	Daly City, CA	195	141,375	8.0	1975/97	725	94.4%
Regatta Bay	Foster City, CA	288	212,544	11.0	1973/94	738	95.8%

Sea Ridge	Pacifica, CA	220	186,780	7.7	1971/95	849	97.3%
SANTA CLARA COUNTY, CA							
Toscana	Sunnyvale, CA	710	348,828	13.6	1998/96	491	Lease-Up
Avalon at Town Center	San Jose, CA	324	318,816	7.5	1995	984	90.4%
Canyon Creek	Campbell, CA	348	324,684	8.0	1995	933	97.4%
CountryBrook	San Jose, CA	360	323,280	14.0	1985/96	898	93.9%
The Arbors	Campbell, CA	252	197,064	8.5	1966/97	782	Redev.
Creekside	Mountain View, CA	294	215,796	13.0	1962/97	734	92.5%
Rosewalk at Waterford Park I	San Jose, CA	300	271,500	10.8	1997/96	905	94.0%
The Fountains	San Jose, CA	226	209,954	4.0	1990/96	929	95.6%
Parkside Commons	Sunnyvale, CA	192	199,296	8.0	1991/96	1,038	97.4%
Villa Mariposa	Mountain View, CA	248	209,312	4.0	1986	844	93.2%
San Marino	San Jose, CA	248	209,560	11.5	1984/88	845	98.0%
The Promenade	Sunnyvale, CA	220	159,720	5.0	1987/95	726	97.3%
Foxchase I & II	San Jose, CA	396	334,224	12.0	1986/87	844	93.4%
Glen Creek	Morgan Hill, CA	138	113,022	6.0	1989	819	87.0%
Fairway Glen	San Jose, CA	144	118,944	6.0	1986	826	93.8%

</TABLE>

<TABLE>
<CAPTION>

		Average Economic Occupancy		Average Rental Rate (1)			
	City and State	1998	1997	$ per Apt	$ per Sq. Ft.	Property EBITDA (2)	Financial reporting cost (3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CURRENT COMMUNITIES (4)							
NORTHERN CALIFORNIA							
ALAMEDA COUNTY, CA							
Waterford	Hayward, CA	97.3%	97.2%	$ 964	$ 1.13	$ 4,457	$ 42,423
Hampton Place	Fremont, CA	96.5%	98.0%	1,425	1.31	3,973	36,402
Hacienda Gardens	Pleasanton, CA	97.0%	96.4%	1,148	1.39	4,476	35,332
Amador Oaks	Dublin, CA	96.8%	96.2%	1,223	1.35	2,024	25,069
Willow Creek	Fremont, CA	97.3%	97.9%	1,192	1.41	2,470	18,186
Alicante	Fremont, CA	96.0%	97.9%	1,351	1.36	1,586	16,098
Barrington Hills	Hayward, CA	98.4%	97.5%	1,006	1.10	1,437	15,798
Parc Centre	Union City, CA	97.3%	95.8%	993	1.21	1,667	14,612
Rivershore	Bay Point, CA	96.3%	96.9%	751	0.86	1,041	14,544
CENTRAL VALLEY, CA							
Governor's Square	Sacramento, CA	Redev.	Redev.	825	0.80	1,554	26,825
The Pointe	Fairfield, CA	96.9%	96.6%	868	0.96	1,992	18,667
Blairmore	Rancho Cordova, CA	97.5%	97.6%	618	0.71	1,035	10,722
SAN FRANCISCO, CA							
Crown Ridge	San Rafael, CA	96.0%	82.7%	1,169	1.29	2,370	30,450

Sunset Towers	San Francisco, CA	Redev.	Redev.	1,275	1.76	2,436	27,907
City Heights	San Francisco, CA	98.6%	98.3%	1,322	2.21	2,127	17,099
Village Square	San Francisco, CA	99.0%	98.5%	1,310	1.58	1,826	13,196
Crossbrook	Rohnert Park, CA	98.6%	98.6%	816	1.11	1,328	12,468
SAN MATEO COUNTY, CA							
Cedar Ridge	Daly City, CA	Redev.	Redev.	1,204	0.96	1,010	25,454
Regatta Bay	Foster City, CA	94.1%	96.3%	1,244	1.59	3,173	24,480
Sea Ridge	Pacifica, CA	98.3%	98.1%	1,207	1.40	2,329	17,814
SANTA CLARA COUNTY, CA							
Toscana	Sunnyvale, CA	Lease-Up	Lease-Up	2,573	2.33	7,634	119,652
Avalon at Town Center	San Jose, CA	96.8%	97.5%	1,533	1.51	4,551	37,447
Canyon Creek	Campbell, CA	97.6%	98.3%	1,406	1.47	4,552	35,933
CountryBrook	San Jose, CA	96.6%	97.0%	1,231	1.33	3,572	33,522
The Arbors	Campbell, CA	Redev.	Redev.	941	0.61	737	30,624
Creekside	Mountain View, CA	Redev.	Redev.	1,097	1.43	2,601	29,717
Rosewalk at Waterford Park I	San Jose, CA	96.9%	94.9%	1,564	1.67	4,165	29,508
The Fountains	San Jose, CA	97.1%	98.3%	1,592	1.66	3,329	29,314
Parkside Commons	Sunnyvale, CA	97.0%	98.0%	1,593	1.49	2,711	25,733
Villa Mariposa	Mountain View, CA	97.7%	99.0%	1,537	1.78	3,663	21,787
San Marino	San Jose, CA	97.3%	97.3%	1,213	1.40	2,537	20,034
The Promenade	Sunnyvale, CA	96.8%	98.1%	1,273	1.70	2,554	19,253
Foxchase I & II	San Jose, CA	96.1%	97.5%	1,188	1.35	4,271	30,258
Glen Creek	Morgan Hill, CA	95.1%	98.0%	1,202	1.40	1,369	10,068
Fairway Glen	San Jose, CA	95.6%	96.4%	1,126	1.30	1,268	9,499

</TABLE>

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

<TABLE>
<CAPTION>

<S>	City and State <C>	Number of homes <C>	Approx. rentable area (Sq. Ft.) <C>	Acres <C>	Year built or acquired <C>	Average size (Sq. Ft,) <C>	Physical occupancy at 12/31/98 <C>
SOUTHERN CALIFORNIA							
LOS ANGELES, CA							
Viewpointe	Woodland Hills, CA	663	592,722	18.2	1989/97	894	Redev.
Lakeside	Burbank, CA	748	531,750	14.7	1969/97	711	Redev.
Westwood Club	Los Angeles, CA	363	229,416	4.8	1966/97	632	Redev.
Arbor Heights	Hacienda Heights, CA	351	277,290	20.0	1970/97	790	Redev.
Warner Oaks	Woodland Hills, CA	227	187,048	6.8	1978/98	824	Redev.
TimberWood	West Covina, CA	209	189,563	8.4	1972/97	907	96.7%
ORANGE COUNTY, CA							
SunScape	Huntington Beach, CA	400	352,800	16.4	1972/97	882	

95.3%

Pacifica Club	Huntington Beach, CA	304	268,128	9.7	1971/97	882	85.0%
Mill Creek	Costa Mesa, CA	258	208,980	8.9	1973/96	810	91.5%
Villa Serena	Rncho Sta Margarita, CA	301	229,362	20.0	1990/97	762	97.3%
Amberway	Anaheim, CA	272	205,632	9.9	1983/98	756	Redev.
Laguna Brisas	Laguna Niguel, CA	176	176,000	10.0	1988/98	1,000	90.3%
Lafayette Place	Costa Mesa, CA	145	131,515	6.6	1956/96	907	97.9%
Larkspur Canyon	Mission Viejo, CA	166	124,832	7.8	1984/96	752	91.0%
SAN DIEGO, CA							
Mission Bay Club	San Diego, CA	564	402,132	5.7	1969/97	713	Redev.
Cabrillo Square	San Diego, CA	293	225,024	1.2	1973/98	768	97.0%
Mission Woods	San Diego, CA	200	212,000	4.0	1960/97	1,060	98.0%
SummerWalk	San Diego, CA	176	141,152	8.8	1982/97	802	95.5%
PACIFIC NORTHWEST							
PORTLAND, OR							
Waterhouse Place	Beaverton, OR	279	259,470	12.0	1990/97	930	Redev.
SEATTLE, WA							
The Verandas at Bear Creek	Redmond, WA	264	284,592	22.0	1998	1,078	73.1%
Gallery Place	Redmond, WA	222	206,016	22.0	1991/97	928	Redev.
Avalon Ridge	Renton, WA	421	432,000	20.0	1998	1,026	Redev.
Avalon Westhaven	Seattle, WA	190	150,100	9.0	1989/97	790	Redev.
NORTHEAST							
BOSTON, MA							
Avalon at Prudential Center	Boston, MA	781	734,753	1.0	1998	941	98.0%
Longwood Towers	Brookline, MA	333	226,000	4.2	1993	679	95.7%
Avalon at Center Place	Providence, RI	225	222,750	1.2	1997	990	90.9%
Avalon Summit	Quincy, MA	245	194,063	9.1	1996	792	95.9%
Avalon at Lexington	Lexington, MA	198	226,830	18.0	1994	1,146	91.4%
Avalon at Faxon Park	Quincy, MA	171	176,130	8.3	1998	1,030	94.7%
Avalon West	Westborough, MA	120	159,900	10.1	1996	1,333	95.8%
FAIRFIELD COUNTY, CT							
Avalon Walk I & II	Hamden, CT	764	760,740	38.4	1993/94	996	97.6%
Avalon Glen	Stamford, CT	238	221,685	4.1	1993/95	931	97.5%
Avalon Gates	Trumbull, CT	340	373,032	37.0	1997	1,097	97.4%
Hanover Hall	Stamford, CT	388	328,248	4.6	1998	846	90.7%
Avalon Springs	Wilton, CT	102	180,720	12.0	1997	1,772	100.0%

</TABLE>

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<CAPTION>

		Average Economic Occupancy		Average Rental Rate (1)			
	City and State	1998	1997	$ per Apt	$ per Sq. Ft.	Property EBITDA (2)	Financial reporting cost (3)

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SOUTHERN CALIFORNIA							
LOS ANGELES, CA							
Viewpointe	Woodland Hills, CA	Redev.	Redev.	996	0.95	4,406	68,190
Lakeside	Burbank, CA	Redev.	Redev.	792	1.03	4,302	54,358
Westwood Club	Los Angeles, CA	Redev.	Redev.	1,015	1.37	2,152	35,465
Arbor Heights	Hacienda Heights, CA	Redev.	Redev.	748	0.81	1,673	25,623
Warner Oaks	Woodland Hills, CA	Redev.	N/A	942	0.99	1,339	22,378
TimberWood	West Covina, CA	Redev.	Redev.	826	0.78	938	14,713
ORANGE COUNTY, CA							
SunScape	Huntington Beach, CA	Redev.	Redev.	945	0.92	2,382	36,966
Pacifica Club	Huntington Beach, CA	Redev.	Redev.	874	0.92	1,949	27,934
Mill Creek	Costa Mesa, CA	94.8%	95.9%	929	1.09	1,908	21,447
Villa Serena	Rncho Sta Margarita, CA	Redev.	Redev.	872	1.12	1,811	19,798
Amberway	Anaheim, CA	Redev.	N/A	736	0.89	1,401	18,734
Laguna Brisas	Laguna Niguel, CA	90.0%	N/A	944	0.85	995	18,614
Lafayette Place	Costa Mesa, CA	Redev.	Redev.	1,056	1.03	1,046	15,485
Larkspur Canyon	Mission Viejo, CA	94.0%	91.5%	864	1.08	1,014	12,737
SAN DIEGO, CA							
Mission Bay Club	San Diego, CA	Redev.	Redev.	863	1.15	3,759	45,839
Cabrillo Square	San Diego, CA	92.7%	N/A	879	1.06	1,396	23,703
Mission Woods	San Diego, CA	Redev.	Redev.	971	0.73	1,079	21,209
SummerWalk	San Diego, CA	96.4%	95.1%	831	1.00	1,066	12,722
PACIFIC NORTHWEST							
PORTLAND, OR							
Waterhouse Place	Beaverton, OR	Redev.	Redev.	680	0.64	1,089	18,446
SEATTLE, WA							
The Verandas at Bear Creek	Redmond, WA	86.0%	N/A	1,228	0.98	1,387	34,491
Gallery Place	Redmond, WA	Redev.	Redev.	1,001	0.99	1,755	25,287
Avalon Ridge	Renton, WA	Redev.	N/A	790	0.56	947	26,799
Avalon Westhaven	Seattle, WA	Redev.	Redev.	700	0.82	878	11,540
NORTHEAST							
BOSTON, MA							
Avalon at Prudential Center	Boston, MA	98.1%	N/A	1,896	1.98	5,167	130,585
Longwood Towers	Brookline, MA	98.3%	N/A	1,592	2.30	2,372	51,519
Avalon at Center Place	Providence, RI	93.8%	N/A	1,838	1.74	1,550	35,707
Avalon Summit	Quincy, MA	97.3%	N/A	1,050	1.29	1,276	21,724
Avalon at Lexington	Lexington, MA	94.2%	N/A	1,679	1.38	1,624	19,650
Avalon at Faxon Park	Quincy, MA	97.0%	N/A	1,439	1.35	1,349	14,630
Avalon West	Westborough, MA	97.7%	N/A	1,375	1.01	816	14,294
FAIRFIELD COUNTY, CT							
Avalon Walk I & II	Hamden, CT	98.2%	N/A	1,051	1.04	3,998	80,336
Avalon Glen	Stamford, CT	97.7%	N/A	1,682	1.76	1,999	45,856
Avalon Gates	Trumbull, CT	98.3%	N/A	1,303	1.17	2,173	37,852
Hanover Hall	Stamford, CT	90.9%	N/A	1,110	1.19	250	

37,670
Avalon Springs Wilton, CT 99.4% N/A 2,224 1.25 1,256
16,934
</TABLE>

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

<TABLE>
<CAPTION>

<S> <C> <C> <C> <C> <C> <C> <C>

	City and State	Number of homes	Approx. rentable area (Sq. Ft.)	Acres	Year built or acquired	Average size (Sq. Ft,)	Physical occupancy at 12/31/98
HARTFORD, CT							
Avalon Pavilions	Manchester, CT	932	849,700	46.3	1993	912	95.4%
LONG ISLAND, NY							
Avalon Commons	Smithtown, NY	312	374,360	20.6	1997	1,200	100.0%
Avalon Towers	Long Beach, NY	109	124,805	1.3	1995	1,145	97.3%
Avalon Court	Melville, NY	154	190,576	10.8	1997	1,238	98.7%
NORTHERN NEW JERSEY							
Avalon Cove	Jersey City, NJ	504	546,390	11.1	1997	1,084	98.6%
PHILADELPHIA, PA							
Avalon Watch	Lawrenceville, NJ	512	487,424	64.0	1993	952	96.1%
Avalon Chase	Marlton, NJ	360	312,840	58.5	1996	869	93.9%
Avalon Run East	Lawrenceville, NJ	206	260,670	27.0	1996	1,265	99.0%
WESTCHESTER, NY							
Avalon Gardens	Nanuet, NY	504	647,778	55.0	1998	1,285	99.0%
Avalon View	Fishkill, NJ	288	286,560	41.0	1993	995	98.6%
Avalon Green	Greenburgh, NY	105	115,930	16.9	1995	1,104	100.0%
MID-ATLANTIC							
BALTIMORE, MD							
Avalon at Fairway Hills I & II	Columbia, MD	720	723,455	42.1	1993/96	1,005	97.0%
Avalon at Symphony Glen	Columbia, MD	174	178,350	10.0	1993	1,025	97.7%
Avalon Landing	Annapolis, MD	158	117,078	13.8	1995	741	96.8%
NORFOLK, VA							
Avalon Birches	Chesapeake, VA	312	262,920	20.9	1995	843	91.0%
Avalon at Hampton I & II	Hampton, VA	418	406,467	29.8	1993	972	91.2%
Avalon Pines	Virginia Beach, VA	174	142,854	9.7	1996	821	90.8%
NORTHERN VIRGINIA							
Avalon at Ballston - Vermont & Quincy Towers	Arlington, VA	454	420,908	2.3	1997	927	97.1%
Avalon Crescent	McLean, VA	558	623,270	19.1	1997	1,117	97.3%
Avalon at Park Center	Alexandria, VA	492	382,200	8.5	1994	777	94.5%
Avalon at Ballston - Washington	Arlington, VA	344	294,808	4.1	1993	857	96.5%

Towers							
Avalon at Cameron Court	Alexandria, VA	460	488,496	16.0	1998	1,062	98.3%
AutumnWoods	Fairfax, VA	420	355,320	24.2	1996	846	97.9%
Avalon Park	Manassas, VA	372	302,808	26.0	1993	814	97.9%
Avalon at Fair Lakes	Fairfax, VA	234	288,225	10.0	1998	1,232	96.6%
Avalon at Dulles	Sterling, VA	236	231,752	15.7	1993	982	97.0%
Avalon at Providence Park	Fairfax, VA	141	147,472	4.0	1997	1,046	95.7%
RICHMOND, VA							
Avalon at Gayton	Richmond, VA	328	282,408	27.6	1993	861	92.4%
Avalon at Boulders	Richmond, VA	284	313,782	32.1	1996	1,105	88.4%
Avalon Station	Fredericksburg, VA	223	210,331	15.9	1994	943	91.9%
Avalon Woods	Richmond, VA	268	158,669	18.5	1994	592	89.6%

</TABLE>

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<CAPTION>

	City and State	Average Economic Occupancy		Average Rental Rate (1)			
		1998	1997	$ per Apt	$ per Sq. Ft.	Property EBITDA (2)	Financial reporting cost (3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
HARTFORD, CT							
Avalon Pavilions	Manchester, CT	97.5%	N/A	887	0.95	3,960	84,767
LONG ISLAND, NY							
Avalon Commons	Smithtown, NY	98.5%	N/A	1,487	1.22	2,352	34,872
Avalon Towers	Long Beach, NY	98.3%	N/A	2,393	2.05	966	21,453
Avalon Court	Melville, NY	98.4%	N/A	1,691	1.34	1,478	18,907
NORTHERN NEW JERSEY							
Avalon Cove	Jersey City, NJ	98.3%	N/A	2,353	2.13	6,327	94,061
PHILADELPHIA, PA							
Avalon Watch	Lawrenceville, NJ	98.1%	N/A	1,115	1.15	2,763	57,333
Avalon Chase	Marlton, NJ	95.7%	N/A	959	1.06	1,462	31,338
Avalon Run East	Lawrenceville, NJ	97.4%	N/A	1,343	1.03	1,305	21,466
WESTCHESTER, NY							
Avalon Gardens	Nanuet, NY	95.5%	N/A	1,511	1.12	3,671	53,434
Avalon View	Fishkill, NJ	98.4%	N/A	1,024	1.01	1,334	26,625
Avalon Green	Greenburgh, NY	98.3%	N/A	1,971	1.76	970	16,515
MID-ATLANTIC							
BALTIMORE, MD							
Avalon at Fairway Hills I & II	Columbia, MD	96.0%	N/A	878	0.84	2,812	61,299
Avalon at Symphony Glen	Columbia, MD	98.0%	N/A	871	0.83	672	12,757
Avalon Landing	Annapolis, MD	98.2%	N/A	797	1.06	530	12,384
NORFOLK, VA							
Avalon Birches	Chesapeake, VA	95.6%	N/A	747	0.85	1,075	18,016
Avalon at Hampton I & II	Hampton, VA	91.7%	N/A	654	0.62	1,078	

							23,134
Avalon Pines	Virginia Beach, VA	92.2%	N/A	698	0.78	467	11,483
NORTHERN VIRGINIA							
Avalon at Ballston - Vermont & Quincy Towers	Arlington, VA	97.8%	N/A	1,123	1.18	2,425	61,852
Avalon Crescent	McLean, VA	97.2%	N/A	1,364	1.19	3,968	60,327
Avalon at Park Center	Alexandria, VA	96.7%	N/A	952	1.18	2,260	46,725
Avalon at Ballston - Washington Towers	Arlington, VA	96.7%	N/A	1,177	1.33	1,878	43,108
Avalon at Cameron Court	Alexandria, VA	81.2%	N/A	1,278	0.98	2,425	42,777
AutumnWoods	Fairfax, VA	97.8%	N/A	917	1.06	1,895	40,547
Avalon Park	Manassas, VA	97.4%	N/A	743	0.89	1,235	25,496
Avalon at Fair Lakes	Fairfax, VA	95.4%	N/A	1,242	0.96	1,500	23,225
Avalon at Dulles	Sterling, VA	98.1%	N/A	893	0.89	998	18,721
Avalon at Providence Park	Fairfax, VA	97.3%	N/A	1,001	0.92	599	14,680
RICHMOND, VA							
Avalon at Gayton	Richmond, VA	92.3%	N/A	689	0.74	899	19,365
Avalon at Boulders	Richmond, VA	90.0%	N/A	755	0.61	800	16,834
Avalon Station	Fredericksburg, VA	94.9%	N/A	703	0.71	661	12,759
Avalon Woods	Richmond, VA	95.2%	N/A	581	0.93	660	11,131

</TABLE>

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	City and State	Number of homes	Approx. rentable area (Sq. Ft.)	Acres	Year built or acquired	Average size (Sq. Ft,)	Physical occupancy at 12/31/98
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SOUTHERN MARYLAND							
Avalon at Decoverly	Rockville, MD	368	368,446	25.0	1995	1,001	97.0%
Avalon Knoll	Germantown, MD	300	290,400	26.7	1993	968	96.0%
Avalon Fields I & II	Garithersburg, MD	288	302,804	5.7	1996	1,050	97.2%
Avalon Crossing	Rockville, MD	132	154,488	5.0	1996	1,170	97.7%
Avalon at Lake Arbor	Mitchellville, MD	209	170,052	18.0	1995	814	95.7%
WASHINGTON, DC							
4100 Massachusetts Avenue	Washington, D.C.	308	298,345	2.7	1994	969	99.4%
MIDWEST							
CHICAGO, IL							
Avalon at Danada Farms	Wheaton, IL	295	350,581	19.2	1997	1,188	97.3%
Avalon at West Grove	Westmont, IL	400	388,400	17.4	1997	971	97.0%
Avalon at Stratford Green	Bloomingdale, IL	192	237,204	12.7	1997	1,235	97.4%
CINCINNATI, OH							
Avalon at Montgomery	Cinciannati, OH	264	231,800	17.0	1997	878	

							92.8%
DETROIT, MI							
Avalon Heights	Madison Heights, MN	225	206,970	17.1	1997	920	96.0%
INDIANAPOLIS, IN							
Avalon at Willow Lake	Indianapolis, IN	230	228,708	20.0	1997	994	92.6%
Avalon at Geist	Lawrence, IN	146	160,554	18.0	1997	1,100	91.1%
MINNEAPOLIS, MN							
Avalon at Devonshire	Bloomington, MI	498	470,774	42.0	1997	945	93.8%
The Gates of Edinburg	Brooklyn Park, MN	198	222,130	11.3	1998	1,122	93.4%
Avalon at Town Centre	Eagan, MN	246	233,562	18.7	1998	949	96.8%
Avalon at Town Square	Plymouth, MN	160	144,026	8.3	1998	900	99.4%
ST. LOUIS, MO							
Avalon at Oxford Hill	St. Louis, MO	480	463,680	34.0	1998	966	91.0%
DEVELOPMENT COMMUNITIES							
Avalon Towers by the Bay	San Francisco, CA	226	248,148	1.0	N/A	1,098	N/A
CentreMark	Cupertino, CA	311	294,828	8.0	N/A	948	N/A
Paseo Alameda	San Jose, CA	305	308,355	8.9	N/A	1,011	N/A
Rosewalk at Waterford Park II	San Jose, CA	156	153,192	5.8	N/A	982	N/A
Avalon Oaks	Wilmington, MA	204	208,692	22.5	N/A	1,023	N/A
Avalon Valley	Danbury, CT	268	286,760	17.4	N/A	1,070	N/A
Avalon Corners	Stamford, CT	195	185,835	3.2	N/A	953	N/A
Avalon Lake	Danbury, CT	135	159,804	32.0	N/A	1,184	N/A
Avalon Court North	Melville, NY	340	405,280	24.6	N/A	1,192	N/A
The Tower at Avalon Cove	Jersey City, NJ	269	243,445	2.8	N/A	905	N/A
Avalon Willow	Mamaroneck, NY	227	213,009	4.1	N/A	938	N/A
The Avalon	Bronxville, NY	110	119,350	1.5	N/A	1,085	N/A
Avalon Crest	Fort Lee, NJ	351	367,692	13.0	N/A	1,048	N/A
Avalon at Fox Mill	Herndon, VA	165	220,275	12.8	N/A	1,335	N/A

</TABLE>

<TABLE>
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	City and State	Average Economic Occupancy 1998	Average Economic Occupancy 1997	Average Rental Rate (1) $ per Apt	Average Rental Rate (1) $ per Sq. Ft.	Property EBITDA (2)	Financial reporting cost (3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SOUTHERN MARYLAND							
Avalon at Decoverly	Rockville, MD	97.3%	N/A	1,077	1.05	2,005	41,218
Avalon Knoll	Germantown, MD	97.1%	N/A	835	0.84	1,107	23,410
Avalon Fields I & II	Garithersburg, MD	92.4%	N/A	1,066	0.93	1,393	27,193
Avalon Crossing	Rockville, MD	98.5%	N/A	1,424	1.20	1,005	18,337
Avalon at Lake Arbor	Mitchellville, MD	95.3%	N/A	891	1.04	653	

							14,275
WASHINGTON, DC							
4100 Massachusetts Avenue	Washington, D.C.	98.5%	N/A	1,450	1.47	2,060	46,300
MIDWEST							
CHICAGO, IL							
Avalon at Danada Farms	Wheaton, IL	96.7%	N/A	1,286	1.05	1,758	49,960
Avalon at West Grove	Westmont, IL	95.4%	N/A	830	0.82	1,244	34,327
Avalon at Stratford Green	Bloomingdale, IL	96.8%	N/A	1,236	0.97	1,094	28,698
CINCINNATI, OH							
Avalon at Montgomery	Cinciannati, OH	92.3%	N/A	706	0.74	695	20,721
DETROIT, MI							
Avalon Heights	Madison Heights, MN	95.4%	N/A	838	0.87	702	20,824
INDIANAPOLIS, IN							
Avalon at Willow Lake	Indianapolis, IN	91.4%	N/A	744	0.68	675	20,181
Avalon at Geist	Lawrence, IN	91.9%	N/A	872	0.73	476	16,148
MINNEAPOLIS, MN							
Avalon at Devonshire	Bloomington, MI	96.9%	N/A	884	0.91	1,663	48,523
The Gates of Edinburg	Brooklyn Park, MN	95.3%	N/A	978	0.83	834	23,862
Avalon at Town Centre	Eagan, MN	98.8%	N/A	869	0.90	819	23,634
Avalon at Town Square	Plymouth, MN	98.3%	N/A	872	0.95	498	14,212
ST. LOUIS, MO							
Avalon at Oxford Hill	St. Louis, MO	90.2%	N/A	696	0.65	1,197	39,438
DEVELOPMENT COMMUNITIES							
Avalon Towers by the Bay	San Francisco, CA	N/A	N/A	N/A	N/A	N/A	37,139
CentreMark	Cupertino, CA	N/A	N/A	N/A	N/A	N/A	48,441
Paseo Alameda	San Jose, CA	N/A	N/A	N/A	N/A	N/A	39,120
Rosewalk at Waterford Park II	San Jose, CA	N/A	N/A	N/A	N/A	N/A	18,201
Avalon Oaks	Wilmington, MA	N/A	N/A	N/A	N/A	N/A	15,029
Avalon Valley	Danbury, CT	N/A	N/A	N/A	N/A	N/A	12,024
Avalon Corners	Stamford, CT	N/A	N/A	N/A	N/A	N/A	11,756
Avalon Lake	Danbury, CT	N/A	N/A	N/A	N/A	N/A	9,274
Avalon Court North	Melville, NY	N/A	N/A	N/A	N/A	N/A	11,315
The Tower at Avalon Cove	Jersey City, NJ	N/A	N/A	N/A	N/A	N/A	33,146
Avalon Willow	Mamaroneck, NY	N/A	N/A	N/A	N/A	N/A	27,003
The Avalon	Bronxville, NY	N/A	N/A	N/A	N/A	N/A	12,885
Avalon Crest	Fort Lee, NJ	N/A	N/A	N/A	N/A	N/A	38,233
Avalon at Fox Mill	Herndon, VA	N/A	N/A	N/A	N/A	N/A	4,838

</TABLE>

FEATURES AND RECREATIONAL AMENITIES - CURRENT AND DEVELOPMENT COMMUNITIES

<TABLE>
<CAPTION>

	1 BR	2BR		3BR	
	1/1.5 BA	1/1.5 BA	2/2.5/3 BA	2/2.5 BA	3BA
<S>	<C>	<C>	<C>	<C>	<C>
CURRENT COMMUNITIES (4)					
NORTHERN CALIFORNIA					
Alameda County, CA					
Waterford	208	--	336	--	--
Hampton Place	88	--	176	--	44
Hacienda Gardens	238	--	218	--	--
Amador Oaks	72	8	60	48	--
Willow Creek	99	--	136	--	--
Alicante	42	81	--	--	12
Barrington Hills	48	--	140	--	--
Parc Centre	124	84	--	--	--
Rivershore	44	--	145	56	--
Central Valley, CA					
Governor's Square	93	63	68	30	--
The Pointe	130	28	138	--	--
Blairmore	114	40	98	--	--
San Francisco, CA					
Crown Ridge	158	68	24	--	--
Sunset Towers	183	20	20	--	--
City Heights	114	--	25	--	--
Village Square	90	--	49	15	--
Crossbrook	88	30	108	--	--
San Mateo, CA					
Cedar Ridge	117	33	24	--	--
Regatta Bay	124	123	1	--	--
Sea Ridge	58	106	56	--	--
Santa Clara County, CA					
Toscana	338	--	336	18	15
Avalon at Town Center	90	--	210	--	24
Canyon Creek	156	--	180	--	12
CountryBrook	108	--	252	--	--
The Arbors	212	40	--	--	--
Creekside	158	128	--	--	--
Rosewalk at Waterford Park I	96	--	192	--	12
The Fountains	100	--	126	--	--
Parkside Commons	60	--	96	36	--
Villa Mariposa	108	--	88	52	--
San Marino	103	--	145	--	--
The Promenade	112	10	54	--	--
Foxchase I and II	168	--	228	--	--

Glen Creek	58	--	79	--	1
Fairway Glen	60	--	84	--	--

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<S>	Studios / Efficiencies <C>	Other <C>	Total <C>	Parking spaces <C>	Washer & dryer hook-ups or units <C>
CURRENT COMMUNITIES (4)					
NORTHERN CALIFORNIA					
Alameda County, CA					
Waterford	--	--	544	876	Some
Hampton Place	--	--	308	570	All
Hacienda Gardens	--	--	456	856	All
Amador Oaks	--	16	204	427	Most
Willow Creek	--	--	235	240	All
Alicante	--	--	135	260	All
Barrington Hills	--	--	188	320	All
Parc Centre	--	--	208	210	None
Rivershore	--	--	245	761	None
Central Valley, CA					
Governor's Square	48	--	302	332	Some
The Pointe	--	--	296	504	All
Blairmore	--	--	252	452	All
San Francisco, CA					
Crown Ridge	4	--	254	377	Some
Sunset Towers	20	--	243	244	None
City Heights	46	--	185	104	None
Village Square	--	--	154	155	None
Crossbrook	--	--	226	343	Some
San Mateo, CA					
Cedar Ridge	21	--	195	258	None
Regatta Bay	40	--	288	490	None
Sea Ridge	--	--	220	299	None
Santa Clara County, CA					
Toscana	3	--	710	1,400	All
Avalon at Town Center	--	--	324	560	All
Canyon Creek	--	--	348	588	All
CountryBrook	--	--	360	660	All
The Arbors	--	--	252	395	All
Creekside	8	--	294	376	None
Rosewalk at Waterford Park I	--	--	300	420	All
The Fountains	--	--	226	354	All
Parkside Commons	--	--	192	192	All
Villa Mariposa	--	--	248	421	All
San Marino	--	--	248	436	All
The Promenade	44	--	220	394	Some
Foxchase I and II	--	--	396	719	All
Glen Creek	--	--	138	228	All
Fairway Glen	--	--	144	226	All

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<S>	Vaulted ceilings <C>	Lofts <C>	Fireplaces <C>	Large storage or walk-in closet <C>	Balcony patio deck or sunroom <C>
CURRENT COMMUNITIES (4)					
NORTHERN CALIFORNIA					
Alameda County, CA					
Waterford	Some	None	None	All	All

Hampton Place	Most	None	Half	Most	All
Hacienda Gardens	Some	None	Most	None	All
Amador Oaks	Some	None	Most	All	All
Willow Creek	None	None	None	All	All
Alicante	Some	None	Some	All	All
Barrington Hills	Half	None	None	All	All
Parc Centre	None	None	Most	All	All
Rivershore	Some	None	Some	Half	All
Central Valley, CA					
Governor's Square	Half	None	Most	Some	All
The Pointe	None	None	Most	Most	All
Blairmore	None	None	Some	Half	All
San Francisco, CA					
Crown Ridge	Some	Some	Some	None	All
Sunset Towers	None	None	None	None	Some
City Heights	None	None	None	None	Some
Village Square	Some	None	None	All	All
Crossbrook	Half	None	Some	None	All
San Mateo, CA					
Cedar Ridge	None	Some	None	None	All
Regatta Bay	None	None	None	Most	Most
Sea Ridge	None	None	Some	Some	All
Santa Clara County, CA					
Toscana	Some	Some	Some	Half	All
Avalon at Town Center	Some	None	None	Most	All
Canyon Creek	All	Some	None	All	All
CountryBrook	Some	None	All	None	All
The Arbors	None	None	None	None	Half
Creekside	None	None	Some	None	Most
Rosewalk at Waterford Park I	Half	None	Some	Some	All
The Fountains	None	None	Most	All	All
Parkside Commons	Some	None	Half	All	All
Villa Mariposa	Some	None	None	Some	All
San Marino	Some	None	None	Most	All
The Promenade	None	None	None	All	All
Foxchase I and II	Some	None	None	Some	All
Glen Creek	Half	None	None	All	All
Fairway Glen	Some	None	None	None	All

</TABLE>

<TABLE>
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	Built-in bookcases	Carports	Non-direct access garages	Direct access garages	Homes w/ pre-wired security systems
<S>	<C>	<C>	<C>	<C>	<C>
CURRENT COMMUNITIES (4)					
NORTHERN CALIFORNIA					
Alameda County, CA					
Waterford	None	Yes	No	No	None
Hampton Place	None	Yes	Yes	No	All
Hacienda Gardens	None	Yes	Yes	Yes	None
Amador Oaks	None	No	Yes	No	None
Willow Creek	None	Yes	No	No	None
Alicante	None	Yes	No	No	Some
Barrington Hills	Some	Yes	No	No	None
Parc Centre	None	Yes	No	No	None
Rivershore	None	Yes	No	No	None
Central Valley, CA					
Governor's Square	Some	No	Yes	Yes	None
The Pointe	None	Yes	No	No	None
Blairmore	None	Yes	No	No	None
San Francisco, CA					
Crown Ridge	None	Yes	No	Yes	None
Sunset Towers	None	Yes	No	Yes	None
City Heights	Most	Yes	Yes	No	None
Village Square	None	No	Yes	No	None
Crossbrook	None	Yes	No	Yes	None
San Mateo, CA					
Cedar Ridge	None	Yes	No	Yes	None
Regatta Bay	None	Yes	No	No	None
Sea Ridge	None	Yes	Yes	No	None
Santa Clara County, CA					

Toscana	None	No	Yes	No	All
Avalon at Town Center	None	Yes	Yes	No	All
Canyon Creek	None	Yes	Yes	No	All
CountryBrook	None	Yes	Yes	No	None
The Arbors	None	Yes	Yes	No	None
Creekside	None	Yes	No	No	None
Rosewalk at Waterford Park I	Most	Yes	Yes	No	All
The Fountains	None	No	No	Yes	None
Parkside Commons	Some	Yes	Yes	No	None
Villa Mariposa	None	Yes	No	No	None
San Marino	None	Yes	No	No	None
The Promenade	None	No	No	Yes	None
Foxchase I and II	None	Yes	No	No	None
Glen Creek	None	Yes	No	No	None
Fairway Glen	None	Yes	No	No	Some

</TABLE>

FEATURES AND RECREATIONAL AMENITIES - CURRENT AND DEVELOPMENT COMMUNITIES

<TABLE>
<CAPTION>

	1 BR	2BR		3BR	
	1/1.5 BA	1/1.5 BA	2/2.5/3 BA	2/2.5 BA	3BA
<S>	<C>	<C>	<C>	<C>	<C>
SOUTHERN CALIFORNIA					
Los Angeles, CA					
Viewpointe	222	--	441	--	--
Lakeside	296	133	86	12	--
Westwood Club	126	--	102	--	--
Arbor Heights	213	--	134	2	--
Warner Oaks	89	54	64	20	--
TimberWood	32	50	63	64	--
Orange County, CA					
SunScape	--	36	324	40	--
Pacifica Club	144	56	104	--	--
Mill Creek	124	--	86	--	--
Villa Serena	160	75	66	--	--
Amberway	114	48	48	--	--
Laguna Brisas	--	--	176	--	--
Lafayette Place	44	54	--	35	--
Larkspur Canyon	32	28	44	--	--
San Diego, CA					
Mission Bay Club	270	9	165	--	--
Cabrillo Square	112	--	84	--	--
Mission Woods	18	99	--	83	--
SummerWalk	48	48	80	--	--
PACIFIC NORTHWEST					
Portland, OR					
Waterhouse Place	99	38	138	4	--
Seattle, WA					
The Verandas at Bear Creek	55	40	110	59	

--

Gallery Place	76	44	67	35	--
Avalon Ridge	16	19	217	169	--
Avalon Westhaven	94	82	6	8	--
NORTHEAST					
Boston, MA					
Avalon at Prudential Center	361	--	241	--	--
Longwood Towers	144	52	23	25	--
Avalon at Center Place	103	--	111	5	--
Avalon Summit	154	61	28	2	--
Avalon at Lexington	28	21	93	56	--
Avalon at Faxon Park	68	--	75	28	--
Avalon West	40	--	55	25	--
Fairfield County, CT					
Avalon Walk I & II	272	116	122	74	--
Avalon Glen	124	--	114	--	--
Avalon Gates	122	--	168	50	--
Hanover Hall	68	146	--	70	--
Avalon Springs	--	--	70	32	--
Hartford, CT					

</TABLE>

<TABLE>
<CAPTION>

<S>	Studios / Efficiencies <C>	Other <C>	Total <C>	Parking spaces <C>	Washer & dryer hook-ups or units <C>
SOUTHERN CALIFORNIA					
Los Angeles, CA					
Viewpointe	--	--	663	1,300	Some
Lakeside	221	--	748	909	Some
Westwood Club	135	--	363	484	None
Arbor Heights	2	--	351	772	All
Warner Oaks	--	--	227	252	Some
TimberWood	--	--	209	400	Most
Orange County, CA					
SunScape	--	--	400	790	None
Pacifica Club	--	--	304	478	All
Mill Creek	48		258	300	Some
Villa Serena	--	--	301	523	All
Amberway	62	--	272	454	None
Laguna Brisas	--	--	176	335	None
Lafayette Place	12	--	145	235	Most
Larkspur Canyon	--	62	166	166	None
San Diego, CA					
Mission Bay Club	120	--	564	769	None
Cabrillo Square	97	--	293	283	None
Mission Woods	--	--	200	200	Most
SummerWalk	--	--	176	176	All
PACIFIC NORTHWEST					
Portland, OR					
Waterhouse Place	--	--	279	445	All
Seattle, WA					
The Verandas at Bear Creek	--	--	264	470	All
Gallery Place	--	--	222	384	All
Avalon Ridge	--	--	421	712	All
Avalon Westhaven	--	--	190	191	All

NORTHEAST					
Boston, MA					
Avalon at Prudential Center	29	150	781	142	None
Longwood Towers	81	8	333	210	Some
Avalon at Center Place	6	--	225	345	All
Avalon Summit	--	--	245	328	None
Avalon at Lexington	--	--	198	323	All
Avalon at Faxon Park	--	--	171	287	All
Avalon West	--	--	120	145	All
Fairfield County, CT					
Avalon Walk I & II	--	180	764	1,528	All
Avalon Glen	--	--	238	400	Most
Avalon Gates	--	--	340	580	All
Hanover Hall	104	--	388	405	None
Avalon Springs	--	--	102	153	All
Hartford, CT					

</TABLE>

<TABLE>
<CAPTION>

<S>	Vaulted ceilings <C>	Lofts <C>	Fireplaces <C>	Large storage or walk-in closet <C>	Balcony patio deck or sunroom <C>
SOUTHERN CALIFORNIA					
Los Angeles, CA					
Viewpointe	None	Some	None	Most	All
Lakeside	Some	None	Some	Some	Some
Westwood Club	None	None	None	None	All
Arbor Heights	None	None	None	None	Half
Warner Oaks	Some	None	Some	Some	All
TimberWood	Half	None	None	All	All
Orange County, CA					
SunScape	None	None	None	Most	Most
Pacifica Club	None	None	None	Half	All
Mill Creek	Half	None	None	Half	All
Villa Serena	None	None	None	None	All
Amberway	Some	None	None	None	All
Laguna Brisas	Some	None	All	None	Half
Lafayette Place	Some	None	Some	Most	Most
Larkspur Canyon	None	None	None	None	All
San Diego, CA					
Mission Bay Club	None	None	None	Some	All
Cabrillo Square	None	None	None	None	All
Mission Woods	None	None	Most	Most	Most
SummerWalk	None	None	All	Some	All
PACIFIC NORTHWEST					
Portland, OR					
Waterhouse Place	None	None	Most	Some	Most
Seattle, WA					
The Verandas at Bear Creek	All	None	Most	All	All
Gallery Place	Some	None	All	All	All
Avalon Ridge	Some	None	Most	Most	All
Avalon Westhaven	None	None	All	All	All
NORTHEAST					
Boston, MA					
Avalon at Prudential Center	None	None	None	Most	Some
Longwood Towers	None	None	Some	Most	Some
Avalon at Center Place	None	None	None	Half	Some
Avalon Summit	None	None	None	None	Most
Avalon at Lexington	Some	Some	Some	Most	All
Avalon at Faxon Park	Some	Some	Half	All	All
Avalon West	Some	Some	Some	All	Half
Fairfield County, CT					
Avalon Walk I & II	Some	Some	Half	All	All
Avalon Glen	Some	Some	Some	Half	Most
Avalon Gates	Some	Some	None	All	All
Hanover Hall	None	None	None	Some	All
Avalon Springs	Half	Half	Most	All	All
Hartford, CT					

</TABLE>

	Built-in bookcases	Carports	Non-direct access garages	Direct access garages	Homes w/ pre-wired security systems
SOUTHERN CALIFORNIA					
Los Angeles, CA					
Viewpointe	None	No	No	No	None
Lakeside	None	Yes	Yes	No	None
Westwood Club	None	No	No	No	None
Arbor Heights	None	Yes	Yes	No	None
Warner Oaks	None	Yes	No	No	None
TimberWood	None	Yes	No	No	None
Orange County, CA					
SunScape	None	Yes	Yes	No	None
Pacifica Club	None	Yes	No	No	None
Mill Creek	None	Yes	Yes	Yes	None
Villa Serena	None	Yes	Yes	No	None
Amberway	None	Yes	No	No	None
Laguna Brisas	None	No	No	No	None
Lafayette Place	Some	Yes	Yes	No	None
Larkspur Canyon	None	Yes	Yes	No	None
San Diego, CA					
Mission Bay Club	None	No	Yes	No	None
Cabrillo Square	None	No	No	Yes	None
Mission Woods	None	No	Yes	No	None
SummerWalk	All	Yes	No	No	None
PACIFIC NORTHWEST					
Portland, OR					
Waterhouse Place	None	Yes	Yes	No	None
Seattle, WA					
The Verandas at Bear Creek	Some	Yes	Yes	Yes	All
Gallery Place	None	Yes	Yes	No	None
Avalon Ridge	None	Yes	No	No	None
Avalon Westhaven	None	Yes	No	No	None
NORTHEAST					
Boston, MA					
Avalon at Prudential Center	None	No	No	No	None
Longwood Towers	Some	No	No	No	Some
Avalon at Center Place	None	No	No	Yes	None
Avalon Summit	None	No	Yes	No	None
Avalon at Lexington	None	Yes	Yes	No	All
Avalon at Faxon Park	None	No	No	Yes	All
Avalon West	None	No	Yes	Yes	All
Fairfield County, CT					
Avalon Walk I & II	Some	Yes	No	No	Half
Avalon Glen	None	Yes	Yes	No	Most
Avalon Gates	None	Yes	Yes	No	All
Hanover Hall	None	No	Yes	No	None
Avalon Springs	None	No	No	Yes	All
Hartford, CT					

</TABLE>

FEATURES AND RECREATIONAL AMENITIES - CURRENT AND DEVELOPMENT COMMUNITIES

	1 BR		2BR		3BR
	1/1.5 BA	1/1.5 BA	2/2.5/3 BA	2/2.5 BA	3BA

Avalon Pavilions	472	168	220	72	--
Long Island, NY					
Avalon Commons	128	40	112	32	--
Avalon Towers	--	--	37	1	3
Avalon Court	34	--	76	44	--
Northern New Jersey					
Avalon Cove	190	--	190	46	2
Philadelphia, PA					
Avalon Watch	252	36	142	40	--
Avalon Chase	132	48	156	24	--
Avalon Run East	64	--	106	36	--
Westchester, NY					
Avalon Gardens	208	48	144	104	--
Avalon View	113	51	60	64	--
Avalon Green	25	24	56	--	--
MID-ATLANTIC					
Baltimore, MD					
Avalon at Fairway Hills I & II	269	237	154	24	36
Avalon at Symphony Glen	86	14	54	20	--
Avalon Landing	65	18	57	--	--
Norfolk, VA					
Avalon Birches	186	--	126	--	--
Avalon at Hampton I & II	178	66	120	54	--
Avalon Pines	90	24	60	--	--
Northern Virginia					
Avalon at Ballston - Vermont & Quincy	335	35	84	--	--
Avalon Crescent	186	--	372	--	--
Avalon at Park Center	384	--	108	--	--
Avalon at Ballston - Washington Towers	205	31	108	--	--
Avalon at Cameron Court	208	--	168	--	--
AutumnWoods	220	72	96	--	--
Avalon Park	140	40	152	--	--
Avalon at Fair Lakes	45	12	125	26	26
Avalon at Dulles	104	40	76	--	16
Avalon at Providence Park	19	--	112	4	--
Richmond, VA					
Avalon at Gayton	156	54	88	30	--
Avalon at Boulders	90	--	179	15	--
Avalon Station	68	31	100	24	--
Avalon Woods	200	--	48	--	--

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Washer &

	Studios / Efficiencies	Other	Total	Parking spaces	hook- dryer ups or units
<S>	<C>	<C>	<C>	<C>	<C>
Avalon Pavilions	--	--	932	1,631	All
Long Island, NY					
Avalon Commons	--	--	312	425	All
Avalon Towers	1	67	109	198	All
Avalon Court	--	--	154	292	All
Northern New Jersey					
Avalon Cove	--	76	504	455	All
Philadelphia, PA					
Avalon Watch	--	42	512	768	All
Avalon Chase	--	--	360	800	All
Avalon Run East	--	--	206	345	All
Westchester, NY					
Avalon Gardens	--	--	504	756	All
Avalon View	--	--	288	576	All
Avalon Green	--	--	105	218	All
MID-ATLANTIC					
Baltimore, MD					
Avalon at Fairway Hills I & II	--	--	720	1,137	All
Avalon at Symphony Glen	--	--	174	266	All
Avalon Landing	--	18	158	257	All
Norfolk, VA					
Avalon Birches	--	--	312	664	All
Avalon at Hampton I & II	--	--	418	626	All
Avalon Pines	--	--	174	261	All
Northern Virginia					
Avalon at Ballston - Vermont & Quincy	--	--	454	498	All
Avalon Crescent	--	--	558	662	All
Avalon at Park Center	--	--	492	643	All
Avalon at Ballston - Washington Towers	--	--	344	415	All
Avalon at Cameron Court	--	84	460	782	All
AutumnWoods	--	32	420	727	All
Avalon Park	40	--	372	809	All
Avalon at Fair Lakes	--	--	234	505	All
Avalon at Dulles	--	--	236	497	All
Avalon at Providence Park	--	6	141	287	All
Richmond, VA					
Avalon at Gayton	--	--	328	656	All
Avalon at Boulders	--	--	284	535	All
Avalon Station	--	--	223	556	

All

Avalon Woods	20	--	268	400

All
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	Vaulted ceilings	Lofts	Fireplaces	Large storage or walk-in closet	Balcony patio deck or sunroom
Avalon Pavilions	Some	Some	Some	Most	All
Long Island, NY					
Avalon Commons	Some	Some	Some	Most	All
Avalon Towers	None	None	None	All	Most
Avalon Court	Some	Some	Some	All	All
Northern New Jersey					
Avalon Cove	Some	Some	Some	All	Most
Philadelphia, PA					
Avalon Watch	Some	None	Some	All	All
Avalon Chase	None	None	Half	All	All
Avalon Run East	All	Some	Some	All	Most
Westchester, NY					
Avalon Gardens	Half	Half	Some	All	All
Avalon View	Some	Some	Some	Most	All
Avalon Green	Half	Half	Some	All	All
MID-ATLANTIC					
Baltimore, MD					
Avalon at Fairway Hills I & II	Some	None	Some	Some	All
Avalon at Symphony Glen	Some	None	Most	All	All
Avalon Landing	None	None	Most	Most	All
Norfolk, VA					
Avalon Birches	Some	None	All	All	All
Avalon at Hampton I & II	Some	None	Half	All	All
Avalon Pines	Some	None	All	All	All
Northern Virginia					
Avalon at Ballston - Vermont & Quincy	None	None	None	Most	All
Avalon Crescent	Some	Some	Half	Most	All
Avalon at Park Center	Some	None	Some	All	All
Avalon at Ballston - Washington Towers	None	None	Some	Most	All
Avalon at Cameron Court	Some	Some	Some	All	Most
AutumnWoods	Some	None	Some	All	All
Avalon Park	Some	None	Some	All	All
Avalon at Fair Lakes	Half	None	Half	All	Most
Avalon at Dulles	Some	None	Most	All	All
Avalon at Providence Park	None	None	Most	All	All
Richmond, VA					
Avalon at Gayton	Half	None	Half	All	All
Avalon at Boulders	None	None	All	All	All
Avalon Station	Half	Some	None	None	None
Avalon Woods	Half	None	None	Some	None

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	Built-in bookcases	Carports	Non-direct access garages	Direct access garages	Homes w/ Pre-wired Security Systems
Avalon Pavilions	None	Yes	No	No	None
Long Island, NY					
Avalon Commons	None	No	Yes	No	All
Avalon Towers	None	No	No	Yes	All
Avalon Court	None	No	No	Yes	All
Northern New Jersey					

Avalon Cove	None	No	Yes	No	Some
Philadelphia, PA					
Avalon Watch	None	No	Yes	No	None
Avalon Chase	None	Yes	No	No	None
Avalon Run East	None	Yes	Yes	Yes	All
Westchester, NY					
Avalon Gardens	None	Yes	Yes	Yes	All
Avalon View	None	Yes	No	No	None
Avalon Green	None	Yes	No	No	All
MID-ATLANTIC					
Baltimore, MD					
Avalon at Fairway Hills I & II	Some	No	No	No	None
Avalon at Symphony Glen	Half	No	No	No	None
Avalon Landing	None	Yes	No	No	None
Norfolk, VA					
Avalon Birches	None	No	No	No	None
Avalon at Hampton I & II	Some	No	No	No	None
Avalon Pines	None	No	No	Yes	None
Northern Virginia					
Avalon at Ballston - Vermont & Quincy	None	No	No	Yes	None
Avalon Crescent	None	No	Yes	Yes	All
Avalon at Park Center	None	No	No	No	Some
Avalon at Ballston - Washington Towers	None	No	No	No	None
Avalon at Cameron Court	None	No	Yes	Yes	All
AutumnWoods	Some	Yes	No	No	None
Avalon Park	All	No	No	No	All
Avalon at Fair Lakes	None	No	Yes	Yes	None
Avalon at Dulles	Some	No	No	No	None
Avalon at Providence Park	None	No	No	No	None
Richmond, VA					
Avalon at Gayton	Some	No	No	No	None
Avalon at Boulders	None	No	No	No	None
Avalon Station	None	No	No	No	None
Avalon Woods	None	No	No	No	None

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FEATURES AND RECREATIONAL AMENITIES - CURRENT AND DEVELOPMENT COMMUNITIES

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<S>	<C>	<C>	<C>	<C>	<C>
Southern Maryland					
Avalon at Decoverly	156	--	104	64	44
Avalon Knoll	136	55	81	28	--
Avalon Fields I & II	74	32	84	32	--
Avalon Crossing	--	27	105	--	--
Avalon at Lake Arbor	110	12	87	--	--
Washington, D.C.					
4100 Massachusetts Avenue	160	70	--	3	--
MIDWEST					
Chicago, IL					
Avalon at Danada Farms	80	--	134	--	--
Avalon at West Grove	200	200	--	--	--
Avalon at Stratford Green	45	9	108	21	--

Cincinnati, OH					
Avalon at Montgomery	104	32	88	--	--
Detroit, MI					
Avalon Heights	90	62	44	--	--
Indianapolis, IN					
Avalon at Willow Lake	72	32	94	32	--
Avalon at Geist	40	16	68	22	--
Minneapolis, MN					
Avalon at Devonshire	194	--	304	--	--
The Gates of Edinburg	56	--	114	26	--
Avalon at Town Centre	102	--	111	33	--
Avalon at Town Square	76	--	68	12	--
St. Louis, MO					
Avalon at Oxford Hill	162	--	232	86	--
DEVELOPMENT COMMUNITIES					
Avalon Towers by the Bay	91	--	132	--	3
CentreMark	145	--	152	--	14
Paseo Alameda	113	--	164	--	28
Rosewalk at Waterford Park II	72	--	72	--	12
Avalon Oaks	60	24	96	24	--
Avalon Valley	106	--	134	28	--
Avalon Corners	118	--	77	--	--
Avalon Lake	36	--	46	--	--
Avalon Court North	138	54	118	--	30
The Tower at Avalon Cove	147	24	74	24	--
Avalon Willow	150	77	--	--	--
The Avalon	56	2	42	8	2
Avalon Crest	96	--	131	67	--
Avalon at Fox Mill	--	--	92	73	--

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	Studios / Efficiencies	Other	Total	Parking spaces	Washer & dryer hook-ups or units
<S>	<C>	<C>	<C>	<C>	<C>
Southern Maryland					
Avalon at Decoverly	--	--	368	584	All
Avalon Knoll	--	--	300	482	All
Avalon Fields I & II	--	66	288	443	All
Avalon Crossing	--	--	132	224	All
Avalon at Lake Arbor	--	--	209	312	All

Washington, D.C.					
4100 Massachusetts Avenue	27	48	308	330	All
MIDWEST					
Chicago, IL					
Avalon at Danada Farms	--	81	295	714	All
Avalon at West Grove	--	--	400	860	None
Avalon at Stratford Green	--	9	192	437	All
Cincinnati, OH					
Avalon at Montgomery	40	--	264	557	Most
Detroit, MI					
Avalon Heights	24	5	225	412	Most
Indianapolis, IN					
Avalon at Willow Lake	--	--	230	450	All
Avalon at Geist	--	--	146	90	All
Minneapolis, MN					
Avalon at Devonshire	--	--	498	498	Most
The Gates of Edinburg	--	2	198	210	All
Avalon at Town Centre	--	--	246	250	All
Avalon at Town Square	--	4	160	162	All
St. Louis, MO					
Avalon at Oxford Hill	--	--	480	759	Some
DEVELOPMENT COMMUNITIES					
Avalon Towers by the Bay	--	--	226	243	All
CentreMark	--	--	311	526	All
Paseo Alameda	--	--	305	558	All
Rosewalk at Waterford Park II	--	--	156	228	All
Avalon Oaks	--	--	204	355	All
Avalon Valley	--	--	268	626	All
Avalon Corners	--	--	195	273	All
Avalon Lake	24	29	135	382	All
Avalon Court North	--	--	340	818	All
The Tower at Avalon Cove	--	--	269	285	None
Avalon Willow	--	--	227	379	All
The Avalon	--	--	110	167	All
Avalon Crest	--	57	351	317	All
Avalon at Fox Mill	--	--	165	343	All

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

Southern Maryland					
Avalon at Decoverly	Some	Some	Most	Most	All
Avalon Knoll	Some	None	Half	All	All
Avalon Fields I & II	Some	Some	Half	All	Most
Avalon Crossing	Some	Some	Half	All	All
Avalon at Lake Arbor	Some	None	None	All	All
Washington, D.C.					
4100 Massachusetts Avenue	None	None	Some	Most	All
MIDWEST					
Chicago, IL					
Avalon at Danada Farms	None	None	Some	All	Some
Avalon at West Grove	None	None	None	None	All
Avalon at Stratford Green	None	None	Some	Most	Some
Cincinnati, OH					
Avalon at Montgomery	Some	None	Most	All	All
Detroit, MI					
Avalon Heights	Some	None	Some	All	All
Indianapolis, IN					
Avalon at Willow Lake	Half	None	Half	All	All
Avalon at Geist	None	None	Half	All	All
Minneapolis, MN					
Avalon at Devonshire	Some	None	Some	Most	Most
The Gates of Edinburg	None	None	Some	Some	All
Avalon at Town Centre	Some	None	Some	Some	All
Avalon at Town Square	Some	None	Some	Some	All
St. Louis, MO					
Avalon at Oxford Hill	None	None	Some	All	All
DEVELOPMENT COMMUNITIES					
Avalon Towers by the Bay	Some	None	Some	Half	Most
CentreMark	Some	None	Some	Some	All
Paseo Alameda	Some	Some	Some	All	Most
Rosewalk at Waterford Park II	Half	None	Half	Most	All
Avalon Oaks	Some	Some	Some	All	All
Avalon Valley	Some	Some	Some	All	All
Avalon Corners	Some	Some	Some	All	All
Avalon Lake	Some	Some	Some	All	All
Avalon Court North	None	Most	Some	All	All
The Tower at Avalon Cove	None	None	None	Half	Some
Avalon Willow	Some	Some	None	Most	All
The Avalon	Some	Some	Some	Most	Half
Avalon Crest	Some	Some	Some	All	All
Avalon at Fox Mill	Most	None	Most	All	Most

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<S>	Built-in bookcases <C>	Carports <C>	Non-direct access garages <C>	Direct access garages <C>	Homes w/ pre-wired security systems <C>
Southern Maryland					
Avalon at Decoverly	None	No	No	No	None
Avalon Knoll	Some	No	No	No	None
Avalon Fields I & II	None	No	Yes	No	All
Avalon Crossing	Some	No	Yes	Yes	All
Avalon at Lake Arbor	None	No	No	No	None
Washington, D.C.					
4100 Massachusetts Avenue	Some	No	Yes	No	None
MIDWEST					
Chicago, IL					
Avalon at Danada Farms	None	No	No	Yes	None
Avalon at West Grove	None	Yes	No	No	None
Avalon at Stratford Green	Some	No	Yes	Yes	None
Cincinnati, OH					
Avalon at Montgomery	Some	Yes	No	No	None
Detroit, MI					

Avalon Heights	None	Yes	No	No	Most
Indianapolis, IN					
Avalon at Willow Lake	None	Yes	Yes	No	None
Avalon at Geist	Some	No	Yes	Yes	All
Minneapolis, MN					
Avalon at Devonshire	Some	No	No	Yes	None
The Gates of Edinburg	None	No	No	No	None
Avalon at Town Centre	None	No	No	Yes	None
Avalon at Town Square	None	No	No	Yes	None
St. Louis, MO					
Avalon at Oxford Hill	None	No	Yes	No	None
DEVELOPMENT COMMUNITIES					
Avalon Towers by the Bay	None	No	No	Yes	All
CentreMark	Some	No	Yes	Yes	None
Paseo Alameda	None	No	Yes	No	All
Rosewalk at Waterford Park II	Most	Yes	Yes	No	All
Avalon Oaks	None	No	Yes	No	All
Avalon Valley	None	Yes	Yes	All	All
Avalon Corners	None	No	Yes	No	All
Avalon Lake	None	No	No	Yes	All
Avalon Court North	None	No	Yes	Yes	All
The Tower at Avalon Cove	None	No	Yes	No	All
Avalon Willow	None	No	Yes	Yes	All
The Avalon	None	No	Yes	No	All
Avalon Crest	None	No	Yes	Yes	All
Avalon at Fox Mill	None	No	No	Yes	None

</TABLE>

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

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<S>	Buildings w/ security systems <C>	Community entrance controlled access <C>	Building entrance controlled access <C>	Under-ground parking <C>	Aerobics dance studio <C>	Car wash <C>	Picninc area <C>
CURRENT COMMUNITIES (4)							
NORTHERN CALIFORNIA							
ALAMEDA COUNTY, CA							
Waterford	Some	Yes	No	No	No	Yes	No
Hampton Place	All	No	No	No	Yes	Yes	No
Hacienda Gardens	Some	No	No	No	No	Yes	No
Amador Oaks	None	No	No	No	No	Yes	Yes
Willow Creek	Some	Yes	No	No	No	Yes	Yes
Alicante	All	No	No	Yes	Yes	Yes	No
Barrington Hills	None	Yes	Yes	No	No	No	No
Parc Centre	None	Yes	No	No	No	No	No
Rivershore	None	Yes	No	No	No	No	No
CENTRAL VALLEY, CA							
Governor's Square	None	No	No	Yes	No	No	No
The Pointe	None	No	No	No	No	Yes	No
Blairmore	None	Yes	No	No	No	Yes	Yes
SAN FRANCISCO, CA							

Crown Ridge	None	No	No	Yes	Yes	No	Yes
Sunset Towers	All	Yes	Yes	Yes	No	No	Yes
City Heights	None	Yes	Yes	Yes	No	No	Yes
Village Square	None	No	Yes	Yes	No	No	No
Crossbrook	None	No	No	No	No	No	Yes
SAN MATEO, CA							
Cedar Ridge	None	No	No	No	No	No	No
Regatta Bay	Some	No	No	No	No	Yes	No
Sea Ridge	None	No	No	No	No	No	No
SANTA CLARA COUNTY, CA							
Toscana	Some	Yes	Yes	Yes	Yes	No	Yes
Avalon at Town Center	Some	Yes	Yes	No	Yes	Yes	No
Canyon Creek	Some	Yes	Yes	Yes	Yes	No	Yes
CountryBrook	None	Yes	No	No	No	No	No
The Arbors	None	No	No	No	No	No	Yes
Creekside	Some	No	No	No	No	No	Yes
Rosewalk at Waterford Park I	None	Yes	No	No	Yes	No	Yes
The Fountains	None	No	No	No	No	No	Yes
Parkside Commons	None	No	No	Yes	No	No	Yes
Villa Mariposa	None	No	No	Yes	No	Yes	Yes
San Marino	None	Yes	No	No	No	Yes	No
The Promenade	None	No	No	Yes	Yes	Yes	Yes
Foxchase I and II	None	No	No	Yes	No	Yes	No
Glen Creek	None	No	No	No	No	Yes	No
Fairway Glen	Some	No	No	No	No	Yes	Yes

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	Walking/ Jogging	Pool	Sauna / Whirlpool	Tennis court	Racquetball	Fitness center
CURRENT COMMUNITIES (4)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
NORTHERN CALIFORNIA						
ALAMEDA COUNTY, CA						
Waterford	No	Yes	Yes	No	No	Yes
Hampton Place	No	Yes	Yes	No	No	Yes
Hacienda Gardens	No	No	Yes	No	No	No
Amador Oaks	No	Yes	Yes	No	No	Yes
Willow Creek	No	Yes	Yes	No	No	No
Alicante	No	Yes	Yes	No	No	Yes
Barrington Hills	No	Yes	Yes	No	No	Yes
Parc Centre	No	Yes	Yes	No	Yes	No
Rivershore	No	Yes	No	No	No	Yes
	No	Yes	Yes	No	No	Yes
CENTRAL VALLEY, CA						
Governor's Square	No	Yes	Yes	No	No	Yes
The Pointe	No	Yes	Yes	Yes	No	Yes
Blairmore	No	Yes	Yes	No	No	Yes
SAN FRANCISCO, CA						
Crown Ridge	Yes	Yes	Yes	No	No	Yes
Sunset Towers	No	No	No	No	No	No

City Heights	No	No	No	No	No	No
Village Square	No	Yes	Yes	No	No	Yes
Crossbrook	Yes	Yes	Yes	No	No	Yes
SAN MATEO, CA						
Cedar Ridge	No	Yes	Yes	No	No	Yes
Regatta Bay	Yes	Yes	No	No	No	No
Sea Ridge	No	Yes	Yes	No	No	Yes
SANTA CLARA COUNTY, CA						
Toscana	Yes	Yes	Yes	No	No	Yes
Avalon at Town Center	Yes	Yes	Yes	No	No	Yes
Canyon Creek	Yes	Yes	Yes	No	No	Yes
CountryBrook	No	Yes	Yes	No	No	Yes
The Arbors	No	Yes	Yes	No	No	Yes
Creekside	No	Yes	No	Yes	No	Yes
Rosewalk at Waterford Park I	Yes	Yes	Yes	No	No	Yes
The Fountains	No	Yes	Yes	No	No	Yes
Parkside Commons	No	Yes	Yes	No	No	Yes
Villa Mariposa	No	Yes	Yes	No	No	Yes
San Marino	No	Yes	Yes	No	No	Yes
The Promenade	No	Yes	Yes	No	No	Yes
Foxchase I and II	No	Yes	Yes	No	No	Yes
Glen Creek	No	Yes	Yes	No	No	Yes
Fairway Glen	No	Yes	Yes	No	No	Yes

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CURRENT COMMUNITIES (4)	Sand volleyball	Indoor outdoor basketball	Clubhouse/ clubroom	Business center	Toilet	Concierge
<S>	<C>	<C>	<C>	<C>	<C>	<C>
NORTHERN CALIFORNIA						
ALAMEDA COUNTY, CA						
Waterford	No	Yes	No	No	Yes	No
Hampton Place	No	No	Yes	No	No	No
Hacienda Gardens	No	Yes	No	Yes	Yes	No
Amador Oaks	No	No	No	No	Yes	No
Willow Creek	No	No	No	No	No	No
Alicante	No	No	Yes	No	No	No
Barrington Hills	No	No	Yes	No	Yes	No
Parc Centre	No	No	No	No	No	No
Rivershore	No	No	No	No	No	No
CENTRAL VALLEY, CA						
Governor's Square	No	No	No	No	No	No
The Pointe	No	No	Yes	Yes	Yes	No
Blairmore	No	No	No	No	No	No
SAN FRANCISCO, CA						
Crown Ridge	No	No	No	Yes	No	No
Sunset Towers	No	No	No	No	No	No
City Heights	No	No	No	No	No	No
Village Square	No	No	Yes	No	Yes	No
Crossbrook	No	No	No	No	Yes	No
SAN MATEO, CA						

Cedar Ridge	No	No	Yes	Yes	No	No
Regatta Bay	No	No	Yes	No	Yes	No
Sea Ridge	No	No	No	Yes	No	No
SANTA CLARA COUNTY, CA						
Toscana	No	No	Yes	Yes	Yes	No
Avalon at Town Center	No	No	No	Yes	No	No
Canyon Creek	Yes	No	No	Yes	Yes	No
CountryBrook	No	No	No	No	No	No
The Arbors	Yes	Yes	No	Yes	No	No
Creekside	Yes	Yes	Yes	No	No	No
Rosewalk at Waterford Park I	No	No	No	Yes	No	No
The Fountains	No	No	No	Yes	No	No
Parkside Commons	No	Yes	Yes	Yes	Yes	No
Villa Mariposa	Yes	No	No	No	Yes	No
San Marino	No	No	No	No	Yes	No
The Promenade	No	No	No	Yes	Yes	No
Foxchase I and II	No	No	No	No	No	No
Glen Creek	No	No	No	No	No	No
Fairway Glen	No	No	No	No	Yes	No

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

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	Buildings w/security systems	Community entrance controlled access	Building entrance controlled access	Under-ground parking	Aerobics dance studio	Car wash	Picninc area	Walking/ Jogging	Pool
SOUTHERN CALIFORNIA									
LOS ANGELES, CA									
Viewpointe	None	Yes	No	Yes	No	No	No	No	Yes
Lakeside	None	No	Yes	No	No	No	Yes	No	Yes
Westwood Club	None	Yes	Yes	Yes	No	No	No	No	Yes
Arbor Heights	None	Yes	No	No	No	No	No	No	Yes
Warner Oaks	None	Yes	No	No	No	No	Yes	No	Yes
TimberWood	Some	Yes	No	No	No	No	No	No	Yes
ORANGE COUNTY, CA									
SunScape	None	Yes	No	No	No	No	Yes	No	Yes
Pacifica Club	None	Yes	No	No	No	No	No	No	Yes
Mill Creek	None	Yes	No	No	No	Yes	No	No	Yes
Villa Serena	None	No	No	No	No	Yes	Yes	No	Yes
Amberway	None	Yes	No	No	No	Yes	No	No	Yes
Laguna Brisas	None	No	No	Yes	No	No	No	No	Yes
Lafayette Place	Some	No	No	No	No	Yes	No	No	

									Yes
Larkspur Canyon	None	Yes	No	No	No	No	No	Yes	Yes
SAN DIEGO, CA									
Mission Bay Club	None	Yes	Yes	Yes	Yes	Yes	No	No	Yes
Cabrillo Square	All	Yes	Yes	No	No	No	No	Yes	Yes
Mission Woods	Some	No	No	No	No	No	Yes	No	Yes
SummerWalk	None	No	No	No	No	No	Yes	Yes	Yes
PACIFIC NORTHWEST									
PORTLAND, OR									
Waterhouse Place	None	No	No	No	No	No	No	Yes	Yes
SEATTLE, WA									
The Verandas at Bear Creek	All	Yes	No	No	No	No	Yes	Yes	Yes
Gallery Place	None	No	No	No	No	Yes	No	Yes	Yes
Avalon Ridge	None	No	Yes	No	No	No	No	No	Yes
Avalon Westhaven	None	No	No	No	No	No	Yes	No	Yes
NORTHEAST									
BOSTON, MA									
Avalon at Prudential Center	All	Yes	Yes	Yes	No	Yes	No	No	No
Longwood Towers	None	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Avalon at Center Place	None	Yes	Yes	Yes	No	Yes	No	No	Yes
Avalon Summit	None	No	No	No	No	No	Yes	No	Yes
Avalon at Lexington	Some	No	Yes	No	Yes	No	Yes	No	Yes
Avalon at Faxon Park	None	No	Yes	No	No	No	Yes	No	Yes
Avalon West	None	No	Yes	No	No	No	Yes	No	Yes
FAIRFIELD COUNTY, CT									
Avalon Walk I & II	None	No	No	No	Yes	Yes	Yes	Yes	Yes
Avalon Glen	None	No	Yes	Yes	No	No	No	No	Yes
Avalon Gates	None	Yes	No	No	No	No	Yes	No	Yes
Hanover Hall	None	Yes	Yes	Yes	No	No	No	No	Yes
Avalon Springs	All	No	No	No	No	No	Yes	Yes	Yes
HARTFORD, CT									

</TABLE>

<TABLE>
<CAPTION>

	Sauna/ Whirlpool	Tennis court	Racquetball	Fitness center	Sand volleyball	Indoor outdoor basketball	Clubhouse/ clubroom	Business center	Totlot	Concierge
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SOUTHERN CALIFORNIA										
LOS ANGELES, CA										
Viewpointe	Yes	No	No	Yes	No	No	No	Yes	No	No
Lakeside	No	No	No	Yes	No	No	No	Yes	No	No
Westwood Club	Yes	Yes	No	Yes	No	Yes	Yes	Yes	Yes	No
Arbor Heights	Yes	No	No	Yes	No	No	No	No	Yes	No
Warner Oaks	Yes	No	No	No	No	No	No	No	No	No
TimberWood	No	No	No	Yes	No	No	No	No	Yes	No

ORANGE COUNTY, CA										
SunScape	Yes	No	No	Yes	No	No	Yes	Yes	Yes	No
Pacifica Club	Yes	No	No	Yes	Yes	No	Yes	Yes	Yes	No
Mill Creek	Yes	Yes	No	Yes	Yes	No	Yes	Yes	No	No
Villa Serena	Yes	No	No	Yes	No	No	No	No	No	No
Amberway	Yes	No	No	No	No	No	No	No	Yes	No
Laguna Brisas	Yes	No	No	No	No	No	No	Yes	No	No
Lafayette Place	Yes	No	No	Yes	No	No	No	No	No	No
Larkspur Canyon	Yes	No	No	Yes	No	No	No	No	No	No
SAN DIEGO, CA										
Mission Bay Club	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No
Cabrillo Square	Yes	Yes	No	Yes	No	No	Yes	Yes	No	No
Mission Woods	Yes	No	No	Yes	No	No	No	No	Yes	No
SummerWalk	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No	No
PACIFIC NORTHWEST										
PORTLAND, OR										
Waterhouse Place	Yes	No	No	Yes	No	No	No	No	No	No
SEATTLE, WA										
The Verandas at Bear Creek	Yes	No	No	Yes	No	No	Yes	Yes	Yes	No
Gallery Place	Yes	No	No	Yes	No	No	Yes	No	Yes	No
Avalon Ridge	No	No	No	No	No	No	Yes	No	Yes	No
Avalon Westhaven	Yes	No	No	Yes	No	No	Yes	Yes	Yes	No
NORTHEAST										
BOSTON, MA										
Avalon at Prudential Center	No	No	No	No	No	No	Yes	No	No	No
Longwood Towers	No	No	No	Yes	No	No	Yes	Yes	Yes	Yes
Avalon at Center Place	No	No	No	Yes	No	No	Yes	Yes	No	No
Avalon Summit	No	No	No	Yes	No	No	No	No	No	No
Avalon at Lexington	No	No	No	Yes	No	Yes	Yes	No	Yes	No
Avalon at Faxon Park	No	No	No	No	No	No	No	No	Yes	No
Avalon West	No	No	No	No	No	Yes	Yes	No	Yes	No
FAIRFIELD COUNTY, CT										
Avalon Walk I & II	No	Yes	Yes	Yes	No	Yes	Yes	No	No	No
Avalon Glen	No	No	Yes	Yes	No	No	Yes	No	No	No
Avalon Gates	No	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Hanover Hall	No	No	No	No	No	No	No	No	No	No
Avalon Springs	No	No	No	Yes	No	No	Yes	No	No	No
HARTFORD, CT										

</TABLE>

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

<TABLE>
<CAPTION>

	Buildings w/security	Community entrance controlled	Building entrance controlled	Under- ground	Aerobics dance	Car	Picninc	Walking/

	systems	access	access	parking	studio	wash	area	Jogging	Pool	Sauna/ Whirlpool
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Avalon Pavilions	None	No	No	No	Yes	No	Yes	No	Yes	No
LONG ISLAND, NY										
Avalon Commons	All	No	No	No	No	No	Yes	No	Yes	No
Avalon Towers	All	No	No	Yes	No	Yes	No	No	Yes	Yes
Avalon Court	None	Yes	No	No	No	No	Yes	No	Yes	No
NORTHERN NEW JERSEY										
Avalon Cove	All	Yes	Yes	No	Yes	No	Yes	No	Yes	No
PHILADELPHIA, PA										
Avalon Watch	None	No	Yes	No	No	No	Yes	No	Yes	Yes
Avalon Chase	None	No	No	No	No	Yes	Yes	No	Yes	Yes
Avalon Run East	None	No	No	No	No	No	No	Yes	Yes	No
WESTCHESTER, NY										
Avalon Gardens	All	No	No	No	No	No	Yes	No	Yes	No
Avalon View	None	No	No	No	No	No	Yes	No	Yes	No
Avalon Green	All	No	No	No	No	Yes	No	Yes	Yes	No
MID-ATLANTIC										
BALTIMORE, MD										
Avalon at Fairway Hills I & II	None	No	No	No	No	Yes	Yes	No	Yes	No
Avalon at Symphony Glen	None	No	No	No	No	Yes	Yes	Yes	Yes	No
Avalon Landing	None	No	No	No	No	Yes	Yes	Yes	Yes	No
NORFOLK, VA										
Avalon Birches	None	No	No	No	No	Yes	Yes	Yes	Yes	Yes
Avalon at Hampton I & II	None	No	No	No	No	Yes	Yes	No	Yes	Yes
Avalon Pines	None	No	No	No	No	Yes	Yes	Yes	Yes	Yes
NORTHERN VIRGINIA										
Avalon at Ballston - Vermont & Quincy Towers	None	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Avalon Crescent	None	Yes	No	No	Yes	Yes	Yes	Yes	Yes	No
Avalon at Park Center	Most	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Yes
Avalon at Ballston - Washington Towers	None	No	Yes	Yes	No	Yes	Yes	Yes	Yes	No
Avalon at Cameron Court	All	Yes	No	No	No	Yes	Yes	No	Yes	Yes
AutumnWoods	None	No	No	No	No	Yes	Yes	Yes	Yes	No
Avalon Park	None	No	No	No	No	Yes	No	No	Yes	Yes
Avalon at Fair Lakes	None	Yes	No	No	No	Yes	Yes	No	Yes	No
Avalon at Dulles	None	No	No	No	No	Yes	No	Yes	Yes	Yes
Avalon at Providence Park	None	No	No	No	No	Yes	No	No	Yes	No
RICHMOND, VA										
Avalon at Gayton	None	No	No	No	No	Yes	No	No	Yes	Yes
Avalon at Boulders	None	No	No	No	No	Yes	Yes	No	Yes	Yes
Avalon Station	None	No	No	No	No	Yes	Yes	No	Yes	

										No
Avalon Woods	None	No	No	No	No	Yes	Yes	No	Yes	Yes

</TABLE>

<TABLE>
<CAPTION>

	Tennis court	Racquetball	Fitness center	Sand volleyball	Indoor outdoor basketball	Clubhouse/ clubroom	Business center	Totlot	Concierge
Avalon Pavilions	Yes	Yes	Yes	No	Yes	Yes	No	No	Yes
LONG ISLAND, NY									
Avalon Commons	No	No	Yes	No	Yes	Yes	No	Yes	No
Avalon Towers	No	No	Yes	No	No	Yes	No	Yes	Yes
Avalon Court	No	No	Yes	No	Yes	Yes	Yes	Yes	No
NORTHERN NEW JERSEY									
Avalon Cove	Yes	Yes	Yes	No	Yes	Yes	No	Yes	No
PHILADELPHIA, PA									
Avalon Watch	Yes	Yes	Yes	No	Yes	Yes	No	Yes	No
Avalon Chase	Yes	No	Yes	No	No	Yes	Yes	No	Yes
Avalon Run East	No	No	No	No	No	Yes	No	Yes	No
WESTCHESTER, NY									
Avalon Gardens	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Avalon View	Yes	No	Yes	No	Yes	Yes	No	Yes	No
Avalon Green	No	No	No	Yes	Yes	Yes	No	No	No
MID-ATLANTIC									
BALTIMORE, MD									
Avalon at Fairway Hills I & II	Yes	Yes	Yes	No	No	Yes	No	Yes	No
Avalon at Symphony Glen	No	No	No	No	No	No	No	Yes	No
Avalon Landing	No	No	Yes	No	No	Yes	No	No	No
NORFOLK, VA									
Avalon Birches	Yes	No	Yes	Yes	No	Yes	No	Yes	No
Avalon at Hampton I & II	Yes	No	Yes	Yes	Yes	Yes	No	Yes	No
Avalon Pines	No	Yes	Yes	No	Yes	Yes	No	No	No
NORTHERN VIRGINIA									
Avalon at Ballston - Vermont & Quincy Towers	Yes	No	Yes	No	No	Yes	No	No	No
Avalon Crescent	No	No	Yes	No	No	Yes	Yes	Yes	Yes
Avalon at Park Center	No	No	Yes	Yes	Yes	Yes	No	No	No
Avalon at Ballston - Washington Towers	Yes	No	Yes	No	No	Yes	No	No	No
Avalon at Cameron Court	No	No	Yes	Yes	Yes	Yes	Yes	Yes	No
AutumnWoods	Yes	No	Yes	Yes	Yes	Yes	No	Yes	No
Avalon Park	Yes	Yes	Yes	No	No	Yes	No	Yes	No
Avalon at Fair Lakes	Yes	No	Yes	No	No	Yes	Yes	No	No
Avalon at Dulles	Yes	No	Yes	No	No	Yes	No	No	No
Avalon at Providence Park	No	No	Yes	No	No	Yes	Yes	No	No
RICHMOND, VA									
Avalon at Gayton	Yes	No	Yes	Yes	No	Yes	No	No	No
Avalon at Boulders	Yes	Yes	Yes	No	No	Yes	No	Yes	No
Avalon Station	No	No	Yes	Yes	No	Yes	No	Yes	No
Avalon Woods	Yes	Yes	Yes	No	No	Yes	Yes	No	No

</TABLE>

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

<TABLE>
<CAPTION>

	Buildings w/security systems	Community entrance controlled access	Building entrance controlled access	Under-ground parking	Aerobics dance studio	Car wash	Picninc area	Walking/ Jogging	Pool	Sauna/ Whirlpool

<C>

SOUTHERN MARYLAND										
Avalon at Decoverly	None	No	No	No	No	Yes	Yes	Yes	Yes	Yes
Avalon Knoll	None	No	Yes	No	No	Yes	Yes	Yes	Yes	Yes
Avalon Fields I & II	All	No	No	No	No	Yes	Yes	No	Yes	No
Avalon Crossing	None	Yes	No	No	No	Yes	Yes	No	Yes	No
Avalon at Lake Arbor	None	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes
WASHINGTON, D.C.										
4100 Massachusetts Avenue	None	Yes	Yes	Yes	No	No	No	Yes	Yes	No
MIDWEST										
CHICAGO, IL										
Avalon at Danada Farms	None	No	No	No	No	No	No	No	Yes	No
Avalon at West Grove	None	Yes	No	No	Yes	No	Yes	No	Yes	No
Avalon at Stratford Green	None	No	No	No	No	Yes	Yes	Yes	Yes	No
CINCINNATI, OH										
Avalon at Montgomery	None	No	No	No	No	Yes	No	No	Yes	Yes
DETROIT, MI										
Avalon Heights	None	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes
INDIANAPOLIS, IN										
Avalon at Willow Lake	None	No	No	No	No	Yes	Yes	No	Yes	No
Avalon at Geist	None	No	No	No	No	No	Yes	No	Yes	No
MINNEAPOLIS, MN										
Avalon at Devonshire	Some	No	Yes	Yes	No	Yes	Yes	Yes	Yes	No
The Gates of Edinburg	None	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No
Avalon at Town Centre	None	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Avalon at Town Square	None	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
ST. LOUIS, MO										
Avalon at Oxford Hill	None	No	No	No	No	No	Yes	No	Yes	Yes
DEVELOPMENT COMMUNITIES										
Avalon Towers by the Bay	None	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes
CentreMark	None	Yes	No	Yes	No	No	No	No	Yes	Yes
Paseo Alameda	None	Yes	Yes	Yes	No	No	No	No	Yes	No
Rosewalk @ Waterford Park II	None	Yes	No	No	Yes	No	Yes	Yes	Yes	Yes
Avalon Oaks	All	No	Yes	No	No	No	Yes	No	Yes	Yes
Avalon Valley	None	No	No	No	No	No	Yes	No	Yes	No
Avalon Corners	All	Yes	Yes	Yes	No	No	Yes	No	Yes	No
Avalon Lake	None	No	No	No	No	No	Yes	No	Yes	No
Avalon Court North	Some	No	Yes	No	No	Yes	Yes	Yes	Yes	No
The Tower at Avalon Cove	All	Yes	Yes	No	Yes	No	Yes	Yes	Yes	No
Avalon Willow	All	Yes	Yes	Yes	No	No	Yes	No	Yes	No
The Avalon	All	No	Yes	Yes	No	No	No	No	Yes	Yes
Avalon Crest	All	Yes	Yes	No	Yes	No	No	No	Yes	No
Avalon at Fox Mill	None	No	No	No	No	Yes	Yes	No	Yes	No

</TABLE>

<TABLE>
<CAPTION>

<S>	Tennis court <C>	Racquetball <C>	Fitness center <C>	Sand volleyball <C>	Indoor outdoor basketball <C>	Clubhouse/ clubroom <C>	Business center <C>	Totlot <C>	Concierge <C>
SOUTHERN MARYLAND									
Avalon at Decoverly	Yes	Yes	Yes	No	Yes	Yes	No	Yes	No
Avalon Knoll	Yes	No	Yes	No	Yes	Yes	No	Yes	No
Avalon Fields I & II	No	No	Yes	No	No	Yes	No	Yes	No
Avalon Crossing	No	No	Yes	No	No	Yes	No	Yes	No
Avalon at Lake Arbor	No	No	Yes	No	No	Yes	No	No	No
Fields II	No	No	Yes	No	No	Yes	No	Yes	No
WASHINGTON, D.C.									
4100 Massachusetts Avenue	No	No	Yes	No	No	Yes	No	No	No
MIDWEST									
CHICAGO, IL									
Avalon at Danada Farms	No	No	Yes	No	No	Yes	Yes	No	Yes
Avalon at West Grove	No	Yes	Yes	No	Yes	Yes	No	Yes	No
Avalon at Stratford Green	No	No	No	No	No	Yes	No	No	Yes
CINCINNATI, OH									
Avalon at Montgomery	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
DETROIT, MI									
Avalon Heights	Yes	Yes	Yes	Yes	No	Yes	No	Yes	No
INDIANAPOLIS, IN									
Avalon at Willow Lake	Yes	No	Yes	No	No	Yes	No	No	No
Avalon at Geist	No	No	Yes	No	No	Yes	No	No	No
MINNEAPOLIS, MN									
Avalon at Devonshire	Yes	No	Yes	No	No	Yes	No	No	No
The Gates of Edinburg	No	No	Yes	No	No	Yes	No	No	No
Avalon at Town Centre	Yes	No	Yes	Yes	No	Yes	No	Yes	No
Avalon at Town Square	Yes	No	Yes	Yes	No	Yes	No	Yes	No
ST. LOUIS, MO									
Avalon at Oxford Hill	Yes	No	Yes	No	No	Yes	No	Yes	No
DEVELOPMENT COMMUNITIES									
Avalon Towers by the Bay	No	No	Yes	No	No	Yes	Yes	No	Yes
CentreMark	No	No	Yes	No	No	No	Yes	No	No
Paseo Alameda	No	No	Yes	No	No	No	No	No	Yes
Rosewalk @ Waterford Park II	No	No	No	No	No	No	No	No	No
Avalon Oaks	No	No	Yes	No	Yes	No	Yes	No	No
Avalon Valley	No	No	Yes	No	Yes	Yes	No	Yes	No
Avalon Corners	No	No	Yes	No	No	Yes	Yes	No	Yes
Avalon Lake	No	No	Yes	No	No	No	No	No	No
Avalon Court North	No	Yes	Yes	No	Yes	Yes	Yes	Yes	No
The Tower at Avalon Cove	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Avalon Willow	No	Yes	Yes	No	No	Yes	No	No	No
The Avalon	No	No	Yes	No	No	Yes	No	Yes	No
Avalon Crest	No	No	Yes	No	Yes	Yes	Yes	No	No
Avalon at Fox Mill	No	No	Yes	No	No	Yes	No	Yes	No

</TABLE>

Notes to Community Information tables on pages 9 through 20

(1) Represents the average rental revenue per occupied apartment home.

(2) Property EBITDA is defined as property earnings before interest, income taxes, depreciation, amortization, extraordinary items, gain/(loss) on sale of a community, minority interest and before considering corporate general and administrative expenses and central property management overhead. Gross EBITDA discussed in Note (5) to the Selected Financial Data represents consolidated earnings (net of general and administrative expenses and central property management overhead), and including minority interests, but before depreciation and amortization. EBITDA should not be considered as an alternative to operating income (as determined in accordance with GAAP) as an indicator of the Company's operating performance, or to cash flows from operating activities (as determined in accordance with GAAP) as a measure of liquidity. EBITDA as disclosed by other REITs may not be comparable to the Company's calculation of EBITDA.

(3) Costs are presented in accordance with GAAP. For Development Communities, cost represents total costs incurred through December 31, 1998.

(4) For purposes of these tables, Current Communities include only communities for which the Company held fee simple ownership interests or held through DownREIT partnerships.

Development Communities

As of March 1, 1999, 14 Development Communities were under construction which are expected to add a total of 3,262 apartment homes to the Company's portfolio upon completion. The total capitalized cost of the Development Communities, when completed, is expected to be approximately $532.5 million. Statements regarding the future development or performance of the Development Communities are forward-looking statements. There can be no assurance that the Company will complete the Development Communities, that the Company's budgeted costs, leasing, start dates, completion dates, occupancy or estimates of "EBITDA as a % of Total Budgeted Cost" will be realized or that future developments will realize comparable returns. See the discussion under "Risks of Development and Redevelopment".

The Company holds a fee simple ownership interest in each of the Development Communities except for two communities that are owned by partnerships in which the Company holds a general partnership interest. The following is a summary of the Development Communities:

<TABLE>
<CAPTION>

	Number of apartment homes	Budgeted cost (1) ($ millions)	Construction start	Initial occupancy	Estimated completion date	Estimated stabilization date (2)	Projected EBITDA as % of total budgeted cost (3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1. CentreMark Cupertino, CA	311	$48.6	Q1 1997	Q3 1998	Q1 1999	Q2 1999	10.4%
2. Avalon Willow Mamaroneck, NY	227	$46.8	Q2 1997	Q1 1999	Q3 1999	Q4 1999	8.6%
3. Rosewalk at Waterford Park II San Jose, CA	156	$21.0	Q4 1997	Q4 1998	Q2 1999	Q3 1999	11.4%
4. Paseo Alameda San Jose, CA	305	$54.9	Q3 1997	Q4 1998	Q2 1999	Q3 1999	10.3%
5. The Tower at Avalon Cove Jersey City, NJ	269	$51.8	Q1 1998	Q1 1999	Q3 1999	Q4 1999	10.1%
6. The Avalon Bronxville, NY	110	$28.1	Q1 1998	Q2 1999	Q3 1999	Q4 1999	9.3%
7. Avalon Valley Danbury, CT	268	$26.1	Q1 1998	Q1 1999	Q3 1999	Q1 2000	10.3% (4)
8. Avalon Lake Danbury, CT	135	$17.0	Q2 1998	Q1 1999	Q3 1999	Q4 1999	10.3% (4)
9. Avalon Oaks (5) Wilmington, MA	204	$21.9	Q2 1998	Q1 1999	Q2 1999	Q4 1999	11.0%
10. Avalon Crest Fort Lee, NJ	351	$57.4	Q4 1997	Q2 1999	Q4 1999	Q1 2000	10.3%
11. Avalon Towers by the Bay San Francisco, CA	226	$65.9	Q4 1997	Q3 1999	Q3 1999	Q1 2000	9.6%
12. Avalon Corners Stamford, CT	195	$32.5	Q3 1998	Q3 1999	Q1 2000	Q3 2000	

							10.4%
13. Avalon Fox Mill Herndon, VA	165	$20.1	Q4 1998	Q3 1999	Q1 2000	Q2 2000	10.2%
14. Avalon Court North Melville, NY	340	$40.4	Q4 1998	Q3 1999	Q1 2000	Q3 2000	11.7%
Total/Weighted average	3,262	$532.5					10.2%

</TABLE>

(1) 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) Stabilized operations is defined as the first full quarter of 95% or greater occupancy after completion of construction.
(3) Projected EBITDA represents gross potential earnings projected to be achieved at completion of construction before interest, income taxes, depreciation, amortization and extraordinary items, minus (a) projected economic vacancy and (b) projected stabilized operating expenses. EBITDA is relevant to an understanding of the economics of the Company because it indicates cash flow available from Company operations to service fixed obligations. EBITDA should not be considered as an alternative to operating income, as determined in accordance with GAAP, as an indicator of the Company's operating performance, or to cash flows from operating activities (as determined in accordance with GAAP) as a measure of liquidity. EBITDA as disclosed by other REITs may not be comparable to the Company's calculation of EBITDA.
(4) Represents a combined yield for Avalon Valley and Avalon Lake.
(5) Financed with tax-exempt bonds.

Redevelopment Communities

As of March 1, 1999, the Company had 13 Redevelopment Communities. The total budgeted cost of these Redevelopment Communities, including the cost of acquisition and redevelopment when completed, is expected to be approximately $462.5 million, of which approximately $98.1 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. The Company has found that the cost to redevelop an existing apartment community is more difficult to budget and estimate than the cost to develop a new community. Accordingly, the Company expects that actual costs may vary over a wider range than for a new development community. The Company cannot provide any assurance that the Company will not exceed budgeted costs, either individually or in the aggregate, or that projected unleveraged returns on cost will be achieved. See the discussion under "Risks of Development and Redevelopment".

The following is a summary of the Redevelopment Communities:

<TABLE>
<CAPTION>

	Number of apartment homes	Budgeted cost (1) ($ millions)	Reconstruction start	Reconstruction completion	Estimated restabilized operations (2)	Projected EBITDA as % of total budgeted cost (3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1. The Arbors Campbell, CA	252	$31.2	Q4 1997	Q1 1999	Q2 1999	9.1%
2. Arbor Heights Hacienda Heights, CA	351	$28.7	Q2 1998	Q3 1999	Q1 2000	9.4%
3. Lakeside						

	Burbank, CA	748	$65.6	Q2 1998	Q4 2000	Q2 2001	9.4%
4.	Gallery Place Redmond, WA	222	$25.3	Q1 1998	Q3 1999	Q4 1999	8.3%
5.	Viewpointe Woodland Hills, CA	663	$72.7	Q2 1998	Q2 1999	Q3 1999	9.7%
6.	Avalon Westhaven Seattle, WA	190	$11.9	Q1 1998	Q2 1999	Q3 1999	9.3%
7.	Waterhouse Place Beaverton, OR	279	$20.3	Q2 1998	Q3 1999	Q4 1999	8.9%
8.	Westwood Club Los Angeles, CA	363	$39.9	Q3 1998	Q2 1999	Q3 1999	9.3%
9.	Warner Oaks Woodland Hills, CA	227	$25.0	Q3 1998	Q4 1999	Q1 2000	9.2%
10.	Amberway Anaheim, CA	272	$21.2	Q3 1998	Q3 1999	Q1 2000	8.8%
11.	Avalon Ridge Renton, WA	421	$35.7	Q3 1998	Q2 2000	Q3 2000	9.8%
12.	Governor's Square Sacramento, CA	302	$27.7	Q1 1998	Q4 1999	Q1 2000	8.4%
13.	Mission Bay Club San Diego, CA	564	$57.3	Q3 1998	Q2 2000	Q3 2000	9.1%
		---	-----				----
	Total/Weighted Average	4,854	$462.5				9.2%
		=====	======				====

</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) Restabilized operations is defined as the first full quarter of 95% or greater occupancy after completion of redevelopment.
(3) Projected EBITDA represents gross potential earnings projected to be achieved at completion of redevelopment before interest, income taxes, depreciation, amortization and extraordinary items, minus (a) projected economic vacancy and (b) projected stabilized operating expenses.

Development Rights

The Company is considering the development of 27 new apartment communities. These Development Rights range from land owned or under contract for which design and architectural planning has just commenced to land under contract or owned by the Company with completed site plans and drawings where construction can commence almost immediately. Management estimates that the successful completion of all of these communities would ultimately add 7,239 institutional-quality apartment homes to the Company's portfolio. At December 31, 1998, the cumulative capitalized costs incurred in pursuit of the 27 Development Rights, including the cost of land acquired in connection with three of the Development Rights, was approximately $41.0 million. Many of these apartment homes will offer features like those offered by the communities currently owned by the Company.

The Company generally holds Development Rights through options to acquire land, although one development right is controlled through a joint venture partnership that owns land (New Canaan, CT). 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 to be made by Management after continued financial, demographic and other analysis is performed. Finally, Management intends to limit the percentage of debt used to finance new developments. To comply with Management's self-imposed limitation on the use of debt, other financing alternatives may be required to finance the development of those Development Rights scheduled to start construction after January 1, 1999. Although the development of any particular Development Right cannot be assured, Management believes that the Development Rights, in the aggregate, present attractive potential opportunities for future development and growth of the Company's FFO.

Statements regarding the future development of the Development Rights are forward-looking statements. There can be no assurance that:

- the Company will succeed in obtaining zoning and other necessary governmental approvals or the financing required to develop these communities, or that the Company will decide to develop any particular community; or

- construction of any particular community will be undertaken or, if undertaken, will begin at the expected times assumed in the financial projections or be completed by the anticipated date and/or at the total budgeted cost assumed in the financial projections;

The 27 Development Rights the Company is currently pursuing are summarized on the following table:

<TABLE>
<CAPTION>

	Location		Estimated number of homes	Total budgeted cost ($ millions)
<S>			<C>	<C>
1.	Peabody, MA		154	$20.6
2.	Bellevue, WA		200	29.1
3.	Mountain View, CA	(1)	238	58.8
4.	San Jose, CA	(1)	278	52.9
5.	Hull, MA		162	18.2
6.	New Rochelle, NY		408	78.8
7.	Stamford, CT		319	58.1
8.	Freehold, NJ		296	30.0
9.	Orange, CT		168	16.4
10.	New Canaan, CT	(1) (2)	104	26.4
11.	Darien, CT		172	29.0
12.	Yonkers, NY		256	35.0
13.	Greenburgh - II, NY		500	80.3
14.	Greenburgh - III, NY		266	42.7
15.	Arlington I, VA		566	68.8
16.	Arlington II, VA		324	35.5
17.	Florham Park, NJ		270	39.1
18.	Edgewater, NJ		408	79.7
19.	Hopewell, NJ		280	29.8
20.	Naperville, IL		100	15.0
21.	Westbury, NY		361	49.8
22.	Providence, RI		247	30.4
23.	Quincy, MA		152	18.7
24.	Port Jefferson, NY		184	21.6
25.	Kings Park, NY		302	37.0
26.	Yorktown, NY		396	47.2
27.	North Haven, CT		128	14.0
	Totals		7,239	$1,062.9

</TABLE>

(1) Company owns land, but construction has not yet begun.
(2) Currently anticipated that the land seller will retain a minority limited partner interest.

Risks of Development and Redevelopment

The Company intends to continue to pursue the development and redevelopment of apartment home communities in accordance with the Company's underwriting policies. Risks associated with the Company's development and redevelopment activities may include:

- - the abandonment of opportunities explored by the Company based on further financial, demographic or other analysis or because of liquidity constraints;

- - the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy, and other required governmental permits and authorizations;

- - construction or reconstruction costs of a community may exceed original estimates due to increased materials, labor or other expenses, which could make completion or redevelopment of a community uneconomical;

- - occupancy rates and rents at a newly completed or redevelopment community are dependent on a number of factors, including market and general economic conditions, and may not be sufficient to make the community profitable;

- - financing may not be available on favorable terms for the development or redevelopment of a community; and construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs.

The occurrence of any of the events described above could adversely affect the Company's ability to achieve its projected yields on communities under development or redevelopment and could prevent the Company from paying distributions to its stockholders.

For each Development and Redevelopment Community, the Company establishes a target for projected EBITDA as a percentage of total budgeted cost. Projected EBITDA represents gross potential earnings projected to be achieved at completion of development or redevelopment before interest, income taxes, depreciation, amortization and extraordinary items, minus (a) projected economic vacancy and (b) projected stabilized operating expenses. Total budgeted cost includes all capitalized costs projected to be incurred to develop the respective Development or Redevelopment Community, including land, acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees determined in accordance with GAAP. Gross potential earnings and construction costs reflect market conditions prevailing in the community's market at the time the Company's budgets are prepared taking into consideration certain changes to those market conditions anticipated by the Company at the time. Although the Company attempts to anticipate changes in market conditions, the Company cannot predict with certainty what those changes will be. Construction costs have been increasing and, for certain of the Company's Development Communities, the total construction costs have been or are expected to be higher than the original budget. Nonetheless, because of increases in prevailing market rents Management believes that, in the aggregate, the Company will still achieve its targeted projected EBITDA as a percentage of total budgeted cost for those communities experiencing costs in excess of the original budget. Management believes that it 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 Management's original estimates and similar increases in costs may be experienced in the future. There can be no assurances that market rents in effect at the time new development communities or repositioned communities complete lease-up will be sufficient to fully offset the effects of any increased construction costs.

Capitalized Interest

In accordance with GAAP, the Company capitalizes interest expense during construction or reconstruction until each building obtains a certificate of occupancy; thereafter, interest for each completed building is expensed. Capitalized interest during the years ended December 31, 1998, 1997 and 1996 totaled $16,977,000, $6,985,000 and $2,567,000, respectively.

Acquisition Activities and Other Recent Developments

Acquisitions of Existing Communities. In 1998, Avalon, Bay and, following the Merger, the Company acquired an aggregate of 13 communities containing 4,166 apartment homes. These communities are summarized as follows:

On January 7, 1998, Avalon purchased Avalon at Town Centre, a 246 apartment home community, and Avalon at Town Square, a 160 apartment home community, both of which are located in the Minneapolis, Minnesota area, for an aggregate purchase price of approximately $27,625,000.

On April 30, 1998, Avalon purchased Avalon at Oxford Hill, a 480 apartment home community located in St. Louis, Missouri, for approximately $29,760,000.

On May 29, 1998, Avalon purchased The Gates of Edinburgh, a 198 apartment home community located in the Minneapolis, Minnesota area, for approximately $17,950,000.

On January 14, 1998, Bay purchased Warner Oaks, a 227 apartment home community located in the Los Angeles, California area, for approximately $20,100,000.

On January 28, 1998, Bay purchased Amberway, a 272 apartment home community located in Orange County, California, and Arbor Park, a 260 apartment home community located in the Los Angeles, California area, for approximately $17,500,000 and $12,400,000, respectively.

On February 11, 1998, Bay purchased Laguna Brisas, a 176 apartment home community located in the Los Angeles, California area, for approximately $17,400,000.

On March 2, 1998, Bay purchased Cabrillo Square, a 293 apartment home community located in San Diego, California, for approximately $22,900,000.

On May 1, 1998, Bay purchased Avalon Ridge, a 421 apartment home community, located in the Seattle, Washington area, for approximately $25,100,000.

On June 16, 1998, the Company purchased The Verandas at Bear Creek, a 264 apartment home community located in the Seattle, Washington area, for approximately $34,290,000.

On July 16, 1998, the Company purchased the residential portion of the Prudential Center, a 781 apartment home community located in Boston, Massachusetts, for approximately $130,000,000.

On December 1, 1998, the Company purchased Hanover Hall, a 388 apartment home community located in the Hartford, Connecticut area, for approximately $37,500,000.

Sales of Existing Communities. During 1998, the Company completed a strategic planning effort resulting in a decision to pursue a disposition strategy for certain assets in markets that did not meet its long-term strategic direction. In connection with this disposition strategy, during 1998 the Company sold seven communities, totaling 2,039 apartment homes for a gross sales price of $126,200,000. Net proceeds from the sale of these communities totaled $73,900,000 resulting in a net gain of $3,970,000.

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

Land Acquisitions for New Developments. During February 1998, Avalon purchased a 17.1 acre site in Danbury, Connecticut for the development of 268 luxury apartment homes to be known as Avalon Valley. Avalon Valley is budgeted to cost $26,100,000. Construction on Avalon Valley commenced during the first quarter of 1998 and is expected to be completed in the third quarter of 1999.

During February 1998, Avalon purchased a 32 acre site in Danbury, Connecticut for the development of 135 luxury apartment homes to be known as Avalon Lake. Avalon Lake is budgeted to cost $17,000,000. Construction on Avalon Lake commenced during the second quarter of 1998 and is expected to be completed in the third quarter of 1999.

During March 1998, Avalon acquired a 22 acre site in Wilmington, Massachusetts for the development of 204 luxury apartment homes to be known as Avalon Oaks. Avalon Oaks is budgeted to cost $21,900,000. Construction on Avalon Oaks commenced during the second quarter of 1998 and is expected to be completed in the second quarter of 1999.

During April 1998, Bay acquired a 5.05 acre site on the Alameda in downtown San Jose, California on which it plans to build, subject to certain governmental approvals, an

apartment home community with up to 278 apartment homes and approximately 8,500 square feet of retail space. This future development community is budgeted to cost $52,900,000.

Seismic Concerns

Many of the Company's West Coast communities are located in the general vicinity of active earthquake faults. In July 1998, the Company obtained a seismic risk analysis from an engineering firm which estimated the probable maximum damage ("PMD") for each of the 60 West Coast communities that the Company owned at that time and for each of the five West Coast communities under development at that time, individually and for all of those communities combined. To establish a PMD, 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 PMD is determined as the structural and architectural damage and business interruption loss that has a 10% probability of being exceeded in the event of such an earthquake. Because a significant number of the Company's 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 PMD at that time of $113 million for the 60 West Coast communities that the Company owned at that time and the five West Coast communities under development. The $113 million PMD for those communities was a PMD level that the engineers expected to be exceeded only 10% of the time in the event of such a severe earthquake. The actual aggregate PMD 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 PMD as a percentage of the community's replacement cost and projected revenues. No assurance can be given that an earthquake would not cause damage or losses greater than the PMD assessments indicate, that future PMD levels will not be higher than the current PMD levels described above for the Company's communities located on the West Coast, or that future acquisitions or developments will not have PMD assessments indicating the possibility of greater damage or losses than currently indicated.

In August 1998, the Company renewed its earthquake insurance, both for physical damage and lost revenue, with respect to all communities it owned at that time and all of the communities under development. For any single occurrence, the Company has in place $75,000,000 of coverage, with a 5 percent deductible not to exceed $25,000,000 and not less than $100,000, above this amount. In addition, the Company's general liability and property casualty insurance provides coverage for personal liability and fire damage. In the event an uninsured disaster or a loss in excess of insured limits were to occur, the Company could lose its capital invested in the affected community, as well as anticipated future revenue from that community, and would continue to be obligated to repay any mortgage indebtedness or other obligations related to the community. Any such loss could materially and adversely affect the business of the Company and its financial condition and results of operations.

Americans with Disabilities Act

The apartment communities owned by the Company and any newly acquired apartment communities must comply with Title III of the Americans with Disabilities Act (the "ADA") to the extent that such properties are "public accommodations" and/or "commercial facilities" as defined by the ADA. Compliance with the ADA requirements could require removal of structural barriers to handicapped access in certain public areas of the Company's properties where such removal is readily achievable. The ADA does not, however, consider residential properties, such as apartment communities, to be public accommodations or commercial facilities, except to the extent portions of such facilities, such as leasing offices, are open to the public. The Company believes its properties comply in all material respects with all present requirements under the ADA and applicable state laws. Noncompliance could result in imposition of fines or an award of damages to private litigants.

ITEM 3. LEGAL PROCEEDINGS

Neither the Company nor any of the communities is presently subject to any material litigation nor, to the Company's knowledge, is any litigation threatened against the Company or any of the communities, other than routine actions for negligence or other claims and administrative proceedings arising in the ordinary course of business, or other claims for damages where the amount involved, exclusive of interest and costs, does not exceed ten percent of the current assets of the Company and its subsidiaries on a consolidated basis. Some of these claims and proceedings are expected to be covered by liability insurance and all, collectively, are not expected to have a material adverse effect on the business or financial condition of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF STOCKHOLDERS

On October 2, 1998, the Company held a Special Meeting of Stockholders (the "Special Meeting") at which the holders of record of the Company's Common Stock, par value $.01 per share (the, "Common Stock"), as of the close of business on August 26, 1998 (the "Record Date") were asked to vote on certain amendments to the Company's charter (the "Charter"). As of the Record Date, there were 63,649,121 shares of Common Stock outstanding and entitled to vote. Specifically, the stockholders were asked to vote to approve an amendment to the Charter that would:

(i) an amendment to the Charter that would reduce the number of authorized shares of the Company's Common Stock which the Company may issue from 300,000,000 to 140,000,000. This amendment to the

Charter was approved by a vote of 46,049,160 shares for and 46,981 shares against the amendment. The number of abstentions was 44,206.

(ii) enable the Company's stockholders to remove directors from office with or without cause upon the affirmative vote of a majority of the shares then entitled to vote at a meeting of the stockholders called for such purpose. This amendment to the Charter was not approved because the number of votes cast in favor of such amendment did not meet the required two thirds of all issued and outstanding shares of the Company's Common Stock. The votes totaled 35,219,839 shares for and 1,530,077 shares against the amendment. The number of abstentions was 69,610.

(iii) change the name of the Company from "Avalon Bay Communities, Inc." to "AvalonBay Communities, Inc." This amendment was approved by a vote of 46,075,627 shares for and 20,828 shares against the amendment. The number of abstentions was 43,891.

Immediately following the Special Meeting on October 2, 1998, the Company caused Articles of Amendment to the Charter to be filed with, and accepted for record by, the State Department of Assessments and Taxation of the State of Maryland. Accordingly, the Company is now authorized to issue 140,000,000 shares of Common Stock and its name has been changed to "AvalonBay Communities, Inc."

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

The Company's Common Stock is traded on the New York Stock Exchange (the "NYSE") and the Pacific Stock Exchange (the "PCX") under the ticker symbol "AVB." The following table sets forth the quarterly high and low sales prices per share of the Company's Common Stock on the NYSE for the years ended December 31, 1998 and 1997, as reported by the NYSE. On March 1, 1999, there were 921 holders of record of 64,103,611 shares of the Company's Common Stock.

<TABLE>
<CAPTION>

	1998			1997		
	Sales Price		Dividends	Sales Price		Dividends
Quarter Ended	High	Low	Declared	High	Low	Declared
<S>	<C>	<C>	<C>	<C>	<C>	<C>
March 31	$39.250	$36.313	$ 0.42	$ 37.500	$34.125	$ 0.41
June 30	$37.875	$35.000	$ 0.51	$ 37.625	$32.125	$ 0.41
September 30	$38.438	$30.500	$ 0.51	$ 40.250	$36.500	$ 0.42
December 31	$34.313	$31.125	$ 0.51	$ 40.625	$37.438	$ 0.42

</TABLE>

The Company expects to continue its policy of paying regular quarterly cash dividends. However, dividend distributions will be declared at the discretion of the Board of Directors and will depend on actual Funds from Operations of the Company, its financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Board of Directors may deem relevant. The Board of Directors may modify the Company's dividend policy from time-to-time.

The Company has an optional Dividend Reinvestment and Stock Purchase Plan (the "Plan") which provides a simple and convenient method for stockholders to invest cash dividends and optional cash payments in shares of Common Stock of the Company. All holders of Capital Stock are eligible to participate in the Plan, including stockholders, whose shares are held in the name of a nominee or broker (the "Participants"). Participants in the Plan may purchase additional shares of Common Stock by (i) having the cash dividends on all or part of their shares of Capital Stock automatically reinvested, (ii) receiving directly, as usual, their cash dividends, if as and when declared, on their shares of Capital Stock and investing in the Plan by making cash payments of not less than $100 or more than $25,000 (or such larger amount as the Company may approve) per quarter, or (iii) investing both their cash dividends and such optional cash payments in shares of Common Stock.

Common Stock is acquired pursuant to the Plan at a price equal to 97% of the closing price on the NYSE for such shares of Common Stock on the higher of the dividend payment date or the applicable trading day. Generally, no brokerage commissions, fees or service charges are paid by Participants in connection with purchases under the Plan. Stockholders who do not participate in the Plan continue to receive cash dividends as declared.

ITEM 6. SELECTED FINANCIAL DATA

The following table below provides historical consolidated financial, operating and other data for the Company and the Greenbriar Group. The table should be read with the consolidated financial statements of the Company and the notes included in this report.

	Company (1)			
	Years ended			
	12-31-98	12-31-97	12-31-96	12-31-95
	(Dollars in thousands, except per share information)			
OPERATING INFORMATION:				
Revenue:				
Rental income	$ 352,017	$ 126,375	$ 82,833	$ 53,190
Management fees	793	--	--	--
Other income	74	31	5	89
Total revenue	352,884	126,406	82,838	53,279
Expenses:				
Operating expenses	95,980	32,434	21,391	13,764
Property taxes	29,778	9,539	6,381	4,349
Interest expense	54,003	14,113	14,276	11,472
Depreciation and amortization	78,359	27,009	18,689	13,714
General and administrative	7,674	4,106	1,823	1,155
Total expenses	265,794	87,201	62,560	44,454
Equity in income of unconsolidated joint ventures	1,525	--	--	--
Interest income	3,191	206	178	242
Minority interest	(1,342)	(470)	(319)	(19)
Income (loss) before gain on sale of communities and extraordinary item	90,464	38,941	20,137	9,048
Gain on sale of communities	3,970	--	--	2,412
Income (loss) before extraordinary item	94,434	38,941	20,137	11,460
Extraordinary item	--	--	(511)	--
Net income	94,434	38,941	19,626	11,460
Dividends attributable to preferred stock	(25,874)	(7,480)	(4,264)	(917)
Net income available to common				

stockholders	$ 68,560	$ 31,461	$ 15,362	$ 10,543
	============	============	============	============
PER COMMON SHARE AND SHARE INFORMATION:				
Income before extraordinary item- basic (3)	$ 1.39	$ 1.40	$ 1.06	$ 0.91
Income before extraordinary item- diluted (3)	$ 1.37	$ 1.40	$ 1.06	$ 0.91
Extraordinary item	$ --	$ --	$ (0.03)	$ --
Net income- basic (3)	$ 1.39	$ 1.40	$ 1.03	$ 0.91
Net income- diluted (3)	$ 1.37	$ 1.40	$ 1.03	$ --
Cash dividends declared (3)	$ 1.95	$ 1.66	$ 1.61	$ 1.55
Weighted average common shares and units outstanding- basic (3)	49,488,868	22,472,394	14,985,160	11,544,287
Weighted average common shares and units outstanding- diluted (3)	50,146,909	22,472,394	14,985,160	11,544,287

</TABLE>

<TABLE>
<CAPTION>

	Company (1)	The Greenbriar Group (2)
	3-17-94 through 12-31-94	1-1-94 through 3-16-94
<S>	<C>	<C>
OPERATING INFORMATION:		
Revenue:		
Rental income	$ 31,621	$ 5,104
Management fees	--	--
Other income	97	13
Total revenue	31,718	5,117
Expenses:		
Operating expenses	7,847	1,821
Property taxes	2,786	459
Interest expense	4,782	2,358
Depreciation and amortization	8,366	1,111
General and administrative	744	107
Total expenses	24,525	5,856
Equity in income of unconsolidated joint ventures	--	--
Interest income	310	23
Minority interest	(17)	--
Income (loss) before gain on sale of communities and extraordinary item	7,486	(716)
Gain on sale of communities	--	--
Income (loss) before extraordinary item	7,486	(716)
Extraordinary item	--	--
Net income	7,486	(716)
Dividends attributable to preferred stock	--	--
Net income available to common stockholders	$ 7,486	$ (716)
	============	=======
PER COMMON SHARE AND SHARE INFORMATION:		
Income before extraordinary item- basic (3)	$ 0.65	N/A
Income before extraordinary item- diluted (3)	$ 0.65	N/A
Extraordinary item	$ --	N/A
Net income- basic (3)	$ 0.65	N/A
Net income- diluted (3)	$ 0.65	N/A

Cash dividends declared	$ 1.20	N/A
Weighted average common shares and units outstanding- basic (3)	11,544,287	N/A
Weighted average common shares and units outstanding- diluted (3)	11,544,287	N/A

</TABLE>

<TABLE>
<CAPTION>

	Company (1)			
	Years ended			
	12-31-98	12-31-97	12-31-96	12-31-95
	(Dollars in thousands, except per share information)			
<S>	<C>	<C>	<C>	<C>
OTHER INFORMATION:				
Funds from Operations (4)	$ 144,152	$ 62,417	$ 38,293	$ 21,884
Gross EBITDA (5)	$ 219,635	$ 79,857	$ 52,924	$ 33,992
Stabilized apartment communities (6)	113	54	34	25
BALANCE SHEET INFORMATION:				
Real estate, before accumulated depreciation	$ 4,033,994	$ 1,373,515	$ 750,347	$ 498,210
Total assets	$ 4,030,204	$ 1,317,650	$ 711,909	$ 477,190
Notes payable and Unsecured Facilities	$ 1,484,371	$ 487,484	$ 273,688	$ 227,801
CASH FLOW INFORMATION:				
Net cash flows from operating activities	$ 191,229	$ 62,650	$ 39,224	$ 22,598
Net cash flows used in investing activities	$ (619,229)	$ (574,970)	$(216,000)	$ (87,247)
Net cash flows from (used in) financing activities	$ 433,702	$ 514,588	$ 176,019	$ 61,628

</TABLE>

<TABLE>
<CAPTION>

	Company (1)	The Greenbriar Group (2)
	3-17-94 through 12-31-94	1-1-94 through 3-16-94
<S>	<C>	<C>
OTHER INFORMATION:		
Funds from Operations (4)	$ 15,430	$ 395
Gross EBITDA (5)	$ 20,324	$ 2,730
Stabilized apartment communities (6)	19	10
BALANCE SHEET INFORMATION:		
Real estate, before accumulated depreciation	$ 398,333	N/A
Total assets	$ 390,016	N/A
Notes payable and Unsecured Facilities	$ 181,731	N/A
CASH FLOW INFORMATION:		
Net cash flows from operating activities	$ 17,654	$ 647
Net cash flows used in investing activities	$(189,430)	$(2,211)
Net cash flows from (used in) financing activities	$ 175,168	$ (446)

</TABLE>

Notes to Selected Financial Data

(1) See consolidated financial statements of the Company and the related notes included in this report.

(2) The Greenbriar Group is the Company's predecessor.

(3) Share and per share information is only presented for the Company because no common stock was outstanding during periods presented for the Greenbriar Group. The first full year operating as a public company was 1995.

(4) Management generally considers Funds from Operations ("FFO") to be an appropriate measure of the operating performance of the Company because it

provides investors an understanding of the ability of the Company to incur and service debt and to make capital expenditures. The Company believes that in order to facilitate a clear understanding of the operating results of the Company, FFO should be examined in conjunction with net income as presented in the consolidated financial statements included elsewhere in this report. FFO is determined in accordance with a definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT") and is defined as net income (loss) computed in accordance with generally accepted accounting principles ("GAAP") excluding gains (or losses) from debt restructuring and sales of property, plus depreciation of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative to net income an indication of the Company's performance, or to net cash flows from operating activities as determined by GAAP as a measure of liquidity and is not necessarily indicative of cash available to fund cash needs. Further, FFO as calculated by other REITs may not be comparable to the Company's calculation of FFO. The calculation of FFO for the periods presented is reflected in the following table:

SUMMARY CALCULATION OF FUNDS FROM OPERATIONS
(Dollars in thousands)

<TABLE>
<CAPTION>

	Company (1)			
	Years ended			
	12-31-98	12-31-97	12-31-96	12-31-95
<S>	<C>	<C>	<C>	<C>
Net income	$ 68,560	$ 31,461	15,362	$ 10,543
Convertible preferred dividend requirement	1,174	4,640	4,264	917
Depreciation (real estate related)	76,412	25,962	17,800	12,319
Joint venture adjustments	428	--	--	--
Amortization of non-recurring costs	360	354	356	517
Minority interest	1,188	--	--	--
Gain on sale of communities	(3,970)	--	--	(2,412)
Extraordinary item	--	--	511	--
Funds from Operations	$ 144,152	$ 62,417	$ 38,293	$ 21,884
Weighted average common shares and units outstanding - diluted	50,146,909	25,508,309	17,817,623	12,196,003

</TABLE>

<TABLE>
<CAPTION>

	Company (1)	The Greenbriar Group (2)
	3-17-94 through 12-31-94	1-1-94 through 3-16-94
<S>	<C>	<C>
Net income	$ 7,486	(716)
Convertible preferred dividend requirement	--	--
Depreciation (real estate related)	7,480	1,111
Joint venture adjustments	--	--
Amortization of non-recurring costs	464	--
Minority interest	--	--
Gain on sale of communities		
Extraordinary item	--	--
Funds from Operations	$ 15,430	$ 395
Weighted average common shares and		

units outstanding - diluted	11,544,287	--
	===========	=======

</TABLE>

(5) Gross EBITDA represents earnings before interest, income taxes, depreciation and amortization, gain on sale of communities and extraordinary items. Gross EBITDA is relevant to an understanding of the economics of the Company because it indicates cash flow available from Company operations to service fixed obligations. Gross EBITDA should not be considered as an alternative to operating income, as determined in accordance with GAAP, as an indicator of the Company's operating performance, or to cash flows from operating activities (as determined in accordance with GAAP) as a measure of liquidity. See "Communities" for property EBITDA and the related definition.

(6) These amounts include communities only after stabilized occupancy has occurred. A community is considered by the Company to have achieved stabilized occupancy on the earlier of (i) the first day of any month in which the community reaches 95% physical occupancy or (ii) one year after completion of construction. These amounts also include joint venture investments.

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

Forward-Looking Statements

Certain statements in this Annual Report, including the footnotes to the Company's financial statements, constitute "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). The words "believe," "expect," "anticipate," "intend," "estimate," "assume" and other similar expressions which are predictions of or indicate future events and trends and which do not solely report historical matters identify forward-looking statements. In addition, information concerning construction, occupancy and completion of Development and Redevelopment Communities and Development Rights (as each term is hereinafter defined) and related cost, yield and EBITDA estimates, as well as the cost, timing and effectiveness of Year 2000 compliance, are forward-looking statements. Reliance should not be placed on forward-looking statements as they involve known and unknown risks, uncertainties and other factors, which are in some cases beyond the control of the Company and which may cause the actual results, performance or achievements of the Company to differ materially from the anticipated future results, performance or achievements expressed or implied by such forward-looking statements.

Certain factors that might cause such differences include, but are not limited to, the following: the Company may not be successful in managing its current growth in the number of apartment communities and the related growth of its business operations; the Company's expansion into new geographic market areas may not produce financial results that are consistent with its historical performance; acquisitions of portfolios of apartment communities may result in the Company acquiring communities that are more expensive to manage and portfolio acquisitions may not be successfully completed, resulting in charges to earnings; the Company may fail to secure or may abandon development opportunities; construction costs of a community may exceed original estimates; construction and lease-up of Development and Redevelopment Communities may not be completed on schedule, resulting in increased debt service expense, construction costs and reduced rental revenues; occupancy rates and market rents may be adversely affected by local economic and market conditions which are beyond management's control; financing may not be available on favorable terms, and reliance on cash flow from operations and access to cost effective capital may be insufficient to enable the Company to pursue opportunities or develop its pipeline of Development Rights; the Company's cash flow may be insufficient to meet required payments of principal and interest, and existing indebtedness may not be able to be refinanced or the terms of such refinancing may not be as favorable as the terms of existing indebtedness; and the Company and its suppliers and service providers may experience unanticipated delays or expenses in achieving Year 2000 compliance.

The following discussion should be read in conjunction with the consolidated financial statements and notes included in this report.

General

The Company is a real estate investment trust ("REIT") that is focused on the ownership and operation of institutional-quality apartment communities in high barrier-to-entry markets of the United States. 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. The Company is the surviving corporation from the merger (the "Merger") of Avalon Properties, Inc. ("Avalon") with and into the Company (sometimes hereinafter referred to as "Bay" before the Merger) on June 4, 1998. The Merger was accounted for as a purchase of Avalon by Bay. In conjunction with the Merger, the Company changed its name from Bay Apartment Communities, Inc. to AvalonBay Communities, Inc.

The Company is a fully-integrated real estate organization with in-house acquisition, development, redevelopment, construction, reconstruction, financing, marketing, leasing and management expertise. With its experience and in-house capabilities, the Company believes it is well-positioned to continue to pursue opportunities to develop and

acquire upscale apartment homes in its target markets, although the Company may be constrained by the need to access cost effective capital to finance this activity.

The Company's real estate investments as of March 1, 1999 consist primarily of apartment communities in various stages of the development cycle and land or land options held for development. Such investments can be divided into three categories:

	Number of communities	Number of apartment homes
Current Communities	127	37,910
Development Communities	14	3,262
Development Rights	27	7,239 (*)

(*) Represents an estimate

"Current Communities" are apartment communities where construction is complete and the community has either reached stabilized occupancy or is in the initial lease-up process or under redevelopment. Current Communities include the following sub-classifications:

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. For evaluation purposes, the Company regards each Stabilized Community as falling into one of three categories:

- West Coast Established Communities. Represents all Stabilized Communities owned by Bay as of January 1, 1997, with stabilized operating costs as of January 1, 1997 such that a comparison of 1997 operating results to 1998 operating results is meaningful. As of March 1, 1999, there were 22 West Coast Established Communities containing 5,702 apartment homes. When used in connection with a comparison of 1997 and 1996 results, the term "Established Communities" refers to communities that were stabilized as of January 1, 1996.

- East Coast Established Communities. Represents all Stabilized Communities owned by Avalon as of January 1, 1997 and subsequently acquired by the Company in connection with the Merger, with stabilized operating costs as of January 1, 1997 such that a comparison of 1997 operating results to 1998 operating results is meaningful. As of March 1, 1999, there were 34 East Coast Established Communities containing 10,171 apartment homes.

- Other Stabilized Communities. Represents Stabilized Communities as defined above, but which attained such classification or were acquired after January 1, 1997. As of March 1, 1999, there were 57 Other Stabilized Communities containing 16,473 apartment homes.

Lease-Up Communities. Represents all Current Communities where construction has been complete for less than one year and the communities are in the initial lease-up process. As of March 1, 1999, there was one Lease-Up Community containing 710 apartment homes.

Redevelopment Communities. Represents all Current Communities where substantial redevelopment has either begun or is scheduled to begin. Redevelopment is considered substantial when additional capital invested during the reconstruction effort exceeds the

lesser of $5 million or 10% of the community's acquisition cost. As of March 1, 1999, there were 13 Redevelopment Communities containing 4,854 apartment homes.

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

"Development Rights" are development opportunities in the early phase of the development process for which the Company has an option to acquire land or owns land to develop a new community and where related pre-development costs have been incurred and capitalized in pursuit of these new developments.

Of the Current Communities, the Company holds a fee simple ownership interest in 109 operating communities (one of which is on land subject to a 149 year land lease); a general partnership interest in four partnerships that hold a fee simple interest in four other operating communities; a general partnership interest in four partnerships structured as "DownREITs" (as described more fully below) that own 13 communities; and a 100% interest in a senior participating mortgage note secured by one community. The Company holds a fee simple ownership interest in each of the Development Communities except for two communities that are owned by partnerships in which the Company holds a general partnership interest. In each of the four partnerships structured as "DownREITs," the Company is the general partner and there are one or more limited partners whose interest in the partnership is denominated in "units of limited partnership interest" ("Units"). For each DownREIT partnership, limited partners who hold Units are entitled to receive certain distributions (a "Stated Distribution") prior to any distribution that such DownREIT partnership makes to the general partner. The Stated Distributions that are paid in respect of the DownREIT Units currently approximate the dividend rate applicable to Common Stock of the Company. Each DownREIT partnership has been structured in a manner that makes it unlikely that the limited partners thereof will be entitled to any greater distribution than the Stated Distribution. Each holder of Units has the right to require the DownREIT partnership that issued a Unit to redeem that Unit at a cash price equal to the then fair market value of a share of Common Stock of the Company, except that the Company has the right to acquire any Unit so presented for redemption for one share of Common Stock. As of March 1, 1999, there were 894,144 Units outstanding. The DownREIT partnerships are consolidated for financial reporting purposes.

The Company's management ("Management") believes 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. The Company intends to pursue appropriate new investments (both acquisitions of communities and new developments) in markets where constraints to new supply exist and where new household formations have out-paced multifamily permit activity in recent years.

At December 31, 1998, Management had positioned the Company's portfolio of Stabilized Communities, excluding communities owned by joint ventures, to an average physical occupancy level of 95.3% and achieved an average economic occupancy of 96.2% and 95.7% for the years ended December 31, 1998 and 1997, respectively. This continued high occupancy was achieved through aggressive marketing efforts combined with limited and targeted pricing adjustments. This positioning has resulted in overall growth in rental revenue from Established Communities between periods. It is Management's strategy to maximize total rental revenue through management of rental rates and occupancy levels. If market and economic conditions change, Management's strategy of maximizing total rental revenue could lead to lower occupancy levels. Given the high occupancy level of the portfolio, Management anticipates that any rental revenue and net income gains from the Company's Established Communities would be achieved primarily through higher rental rates and enhanced operating cost leverage provided by high occupancy.

The Company elected to be taxed as a REIT for federal income tax purposes for the year ended December 31, 1994 and has not revoked that election. The Company was incorporated under the laws of the State of California in 1978 and was reincorporated in the State of Maryland in July 1995. Its principal executive offices are located at 2900 Eisenhower Avenue, Suite 300, Alexandria, Virginia 22314, and its telephone number at that location is (703) 329-6300. The Company also maintains super-regional offices in San Jose, California and Wilton, Connecticut and acquisition, development, redevelopment, construction, reconstruction or administrative offices in or near Boston,

Massachusetts; Chicago, Illinois; Minneapolis, Minnesota; New York, New York; Newport Beach, California; Princeton, New Jersey; Richmond, Virginia; and Seattle, Washington.

Recent Developments

Sales of Existing Communities. During 1998, the Company completed a strategic planning effort resulting in a decision to pursue a disposition strategy for certain assets in markets that did not meet its long-term strategic direction. In connection with this disposition strategy, during 1998 the Company sold seven communities, totaling 2,039 apartment homes. Net proceeds from the sale of these communities totaled $73.9 million resulting in a net gain of $4.0 million. The proceeds from the sale of these communities will be directed to the development and redevelopment of communities currently under construction or reconstruction.

In connection with an agreement executed by Avalon in March 1998 which provided for the buyout of certain limited partners in DownREIT V Limited Partnership, the Company sold two communities in July 1998. Net proceeds from the sale of the two communities, containing an aggregate of 758 apartment homes, were approximately $44 million.

Special Meeting of Stockholders. On October 2, 1998, the Company held a Special Meeting of Stockholders at which stockholders approved (i) amendments to the charter reducing the number of authorized shares of the Company's common stock from 300,000,000 to 140,000,000, and (ii) an amendment to the charter changing the Company's name from "Avalon Bay Communities, Inc." to "AvalonBay Communities, Inc."

Preferred Offering. On October 15, 1998, the Company completed the sale of 4,000,000 shares of 8.7% Series H Cumulative Redeemable Preferred Stock at a public offering price of $25 per share (the "Offering"). The net proceeds from the Offering of approximately $96.2 million were used to reduce borrowings under the Company's Unsecured Facility. These shares of Preferred Stock may not be redeemed by the Company until October 15, 2008 except in order to preserve the Company's status as a REIT.

Medium-Term Notes. In January 1999, the Company issued $125 million of medium-term notes. Interest on the notes is payable semi-annually on February 15 and August 15 and the notes will mature on February 15, 2004. The notes bear interest at 6.58%. The net proceeds of approximately $124.3 million were used to repay amounts outstanding under the Company's variable rate unsecured credit facility (the "Unsecured Facility").

Organizational Changes. In February 1999, the Company announced certain management changes. The management changes included the departures of Charles H. Berman, the Company's President, Chief Operating Officer and a director; Jeffrey B. Van Horn, Senior Vice President - Investments; and Max L. Gardner, Senior Vice President - Development/Acquisitions. Other announced management changes included the promotion of Bryce Blair, then Senior Vice President - Development/Acquisitions, to Chief Operating Officer, and the promotion of Robert H. Slater, then Senior Vice President - Property Operations, to Executive Vice President. Messrs. Berman, Gardner and Van Horn are entitled to severance benefits in accordance with the terms of their employment agreements with the Company dated as of March 9, 1998. The Company expects to record a non-recurring charge in the first quarter of 1999 relating to this management realignment and certain related organizational adjustments. Because a complete plan of management realignment was not in existence on June 4, 1998, the date of the Company's merger with Avalon, this charge is not considered a part of the Company's purchase price for Avalon and, accordingly, the expenses associated with the management realignment will be treated as a non-recurring charge. Management and the terminated officers are currently determining the amount of severance that each terminated officer is entitled to receive pursuant to their employment agreements and the valuations, if any, that must be performed pursuant to the terms of their employment agreements. Management is also completing an evaluation of the additional charge related to the other organizational changes. However, management currently estimates that the non-recurring charge that will be incurred in connection with these organizational adjustments, including severance payments and contract termination costs, costs to relocate accounting functions and office space reductions, will be approximately $16 million. The recurring cost reductions associated with the organizational adjustments giving rise to such non-recurring charge are estimated by management to total approximately $3.5 million annually (which estimate does not include any value assigned to the probable annual grants of stock options that would have been made to the terminated officers). No assurance can be given as to the amount of such non-recurring charge or the amount of the recurring cost reductions which could arise therefrom which could be greater or less than the estimates provided.

Results of Operations

The changes in operating results from period-to-period (on a historical basis) are primarily the result of increases in the number of apartment homes owned due to the Merger as well as the development and acquisition of additional communities. Where appropriate, comparisons are made on a weighted average basis for the number of occupied apartment homes in order to adjust for such changes in the number of apartment homes. For Stabilized Communities (excluding communities owned by joint ventures), all occupied apartment homes are included in the calculation of weighted average occupied apartment homes for each reporting period. For communities in the initial lease-up phase, only apartment homes of communities that are completed and occupied are included in the weighted average number of occupied apartment homes calculation for each reporting period.

Comparisons are also made between West and East Coast Established Communities for rental income, operating expenses and property taxes. East Coast Established Communities are compared on a pro forma basis for the years ended December 31, 1998 and 1997, as if the Merger had occurred as of January 1, 1997. Management closely reviews these results as an indication of market strength and the effectiveness with which the communities are operated.

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

Net income increased $55,493,000 (142.5%) to $94,434,000 for the year ended December 31, 1998 compared to $38,941,000 for the year ended December 31, 1997. The primary reason for the increase is additional operating income from the communities owned by Avalon prior to the Merger. The increase is also attributable to additional operating income from communities developed or acquired during 1998 and 1997, as well as growth in operating income from West Coast Established Communities.

Rental income increased $225,642,000 (178.5%) to $352,017,000 for the year ended December 31, 1998 compared to $126,375,000 for the year ended December 31, 1997. Of the increase, $4,991,000 relates to rental revenue increases from West Coast Established Communities, $144,213,000 relates to rental revenue attributable to the former Avalon communities and $76,438,000 is attributable to the addition of newly completed or acquired apartment homes.

Overall Portfolio - The $225,642,000 increase is primarily due to increases in the weighted average number of occupied apartment homes as well as an increase in the weighted average monthly rental income per occupied apartment home. The weighted average number of occupied apartment homes increased from 8,084 apartment homes for the year ended December 31, 1997 to 20,524 apartment homes for the year ended December 31, 1998 as a result of additional apartment homes from the former Avalon communities and the development and acquisition of new communities. For the year ended December 31, 1998, the weighted average monthly revenue per occupied apartment home increased $42 (3.8%) to $1,137 compared to $1,095 for the year ended December 31, 1997.

West Coast Established Communities - Rental revenue increased $4,991,000 (6.8%) for the year ended December 31, 1998 compared to the preceding year due to market conditions that allowed for higher average rents, but lower economic occupancy levels. For the year ended December 31, 1998, weighted average monthly revenue per occupied apartment home increased $81 (7.4%) to $1,172 compared to $1,091 for the preceding year. The average economic occupancy decreased from 97.7% for the year ended December 31, 1997 to 97.1% for the year ended December 31, 1998.

The Company's West Coast Established Communities consist entirely of communities located within the Northern California market. Compared to the prior year, most of the sub-markets within Northern California where the Company's communities are located have maintained a strong economic environment that has allowed for high occupancy levels and rent growth. However, Management believes that, beginning in October 1998, certain Northern California sub-markets that are primarily dependent on

Silicon Valley employment have softened, in part due to Asian economic difficulties. These impacted sub-markets have experienced reduced rent growth and occupancy compared to other Northern California sub-markets.

East Coast Established Communities - Rental revenue (on a pro forma basis) increased $5,079,000 (4.7%) for the year ended December 31, 1998 compared to the preceding year due to market conditions that allowed for higher average rents at higher economic occupancy levels. For the year ended December 31, 1998, weighted average monthly revenue per occupied apartment home increased $40 (4.4%) to $969 compared to $929 for the preceding year. The average economic occupancy increased from 96.0% for the year ended December 31, 1997 to 96.3% for the year ended December 31, 1998.

Management fees totaling $793,000 for the year ended December 31, 1998 represent revenue from certain third-party contracts the Company succeeded to in connection with the Merger.

Operating expenses increased $63,546,000 (195.9%) to $95,980,000 for the year ended December 31, 1998 compared to $32,434,000 for the preceding year.

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

West Coast Established Communities - Operating expenses for the West Coast Established Communities increased $97,000 (.6%) to $15,127,000 for the year ended December 31, 1998 compared to $15,030,000 for the preceding year. The net change is the result of higher payroll and maintenance costs, offset by lower utility, administrative and insurance costs. Lower insurance costs are directly attributable to better pricing and risk sharing provided by the merger with Avalon.

East Coast Established Communities - Operating expenses for the East Coast Established Communities (on a pro forma basis) increased $597,000 (2.3%) to $26,251,000 for the year ended December 31, 1998 compared to $25,654,000 for the preceding year. The net change is the result of higher payroll and maintenance costs, offset by lower utility and insurance costs. Lower insurance costs are also attributable to the Merger due to better pricing.

Property taxes increased $20,239,000 (212.2%) to $29,778,000 for the year ended December 31, 1998 compared to $9,539,000 for the preceding year.

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

West Coast Established Communities - Property taxes for the West Coast Established Communities increased $230,000 (4.6%) to $5,246,000 for the year ended December 31, 1998 compared to $5,016,000 for the comparable period of the preceding year. The increase is primarily the result of lower than estimated property tax assessments that resulted in a reduction in 1997 of previously accrued expenses.

East Coast Established Communities - Property taxes for the East Coast Established Communities (on a pro forma basis) increased $348,000 (3.6%) to $10,062,000 for the year ended December 31, 1998 compared to $9,714,000 for the preceding year. The increase is primarily the result of increased assessments of property values and increased property tax rates.

Interest expense increased $39,890,000 (282.6%) to $54,003,000 for the year ended December 31, 1998 compared to $14,113,000 for the comparable period of the preceding year. The increase is primarily attributable to $643,410,000 of debt assumed in connection with the Merger and secondarily due to the issuance of unsecured senior notes in 1998 and 1997.

Depreciation and amortization increased $51,350,000 (190.1%) to $78,359,000 for the year ended December 31, 1998 compared to $27,009,000 for the preceding year. The increase is primarily attributable to additional expense from the former Avalon communities and secondarily to acquisitions and development of communities in 1998 and 1997.

General and administrative expenses increased $3,568,000 (86.9%) to $7,674,000 for the year ended December 31, 1998 compared to $4,106,000 for the preceding year. The increase is primarily due to the Merger.

Equity in income of unconsolidated joint ventures of $1,525,000 for the year ended December 31, 1998 represents the Company's share of income of certain joint ventures that the Company succeeded to in connection with the Merger.

Interest income increased $2,985,000 to $3,191,000 for the year ended December 31, 1998 compared to $206,000 for the preceding year. The increase is primarily due to the interest on the Avalon Arbor promissory note that the Company succeeded to in connection with the Merger and on the Fairlane Woods promissory note acquired in August 1998.

COMPARISON OF YEAR ENDED DECEMBER 31, 1997 TO YEAR ENDED DECEMBER 31, 1996

Net income increased $19,315,000 (98.4%) to $38,941,000 for the year ended December 31, 1997 compared to $19,626,000 for the year ended December 31, 1996. The primary reason for the increase is additional rental income from communities acquired during the latter half of 1996 and throughout 1997, as well as growth in operating income from Established Communities.

Rental income increased $43,542,000 (52.6%) to $126,375,000 for the year ended December 31, 1997 compared to $82,833,000 for the year ended December 31, 1996. Of the increase, $6,539,000 relates to rental revenue increases from Established Communities and $37,003,000 is attributable to the addition of newly completed or acquired apartment homes.

Overall Portfolio - The $43,542,000 increase is primarily due to increases in the weighted average number of occupied apartment homes as well as an increase in the weighted average monthly rental income per occupied apartment home. The weighted average number of occupied apartment homes increased from 7,545 apartment homes for the year ended December 31, 1996 to 8,084 apartment homes for the year ended December 31, 1997 as a result of the development and acquisition of new communities. For the year ended December 31, 1997, the weighted average monthly revenue per occupied apartment home increased $112 (11.4%) to $1,095 compared to $983 for the year ended December 31, 1996.

Established Communities - Rental revenue increased $6,539,000 (10.0%) for the year ended December 31, 1997 compared to the preceding year primarily due to an increase in rental rates and increased occupancy. For the year ended December 31, 1997, weighted average monthly revenue per occupied apartment home increased $87 (9.3%) to $1,020 compared to $933 for the preceding year. The average economic occupancy increased from 96.8% for the year ended December 31, 1996 to 97.5% for the year ended December 31, 1997.

Operating expenses increased $11,043,000 (51.6%) to $32,434,000 for the year ended December 31, 1997 compared to $21,391,000 for the preceding year.

Overall Portfolio - The increase for the year ended December 31, 1997 is primarily due to additional expense from the acquisition of new communities as well as the addition of newly completed homes for which maintenance, insurance and other costs are expensed as communities move from the initial construction and lease-up phase to the stabilized operating phase.

Established Communities - Operating expenses increased $1,034,000 (7.1%) to $15,675,000 for the year ended December 31, 1997 compared to $14,641,000 for the preceding year. The net change is primarily attributable to the completion of certain redevelopment communities and to higher maintenance costs, and secondarily to increased earthquake insurance costs due to the purchase of portfolio wide coverage.

Property taxes increased $3,158,000 (49.5%) to $9,539,000 for the year ended December 31, 1997 compared to $6,381,000 for the preceding year.

Overall Portfolio - The increase in 1997 is primarily due to additional expense from the acquisition of new communities as well as the addition of newly completed homes for which property taxes are expensed as communities move from the initial construction and lease-up phase to the stabilized operating phase.

Established Communities - Property taxes decreased $50,000 (1.0%) to $4,950,000 for the year ended December 31, 1997 compared to $5,000,000 for the comparable period of the preceding year. The decrease is primarily the result of lower than estimated property tax assessments that resulted in a reduction in 1997 of previously accrued expenses.

Interest expense decreased $163,000 (1.1%) to $14,113,000 for the year ended December 31, 1997 compared to $14,276,000 for the twelve months ended December 31, 1996. The decrease is primarily attributable to higher capitalization of interest from increased development, construction and reconstruction activity financed primarily with common and preferred stock issuances, offset in part by increased borrowing for new acquisitions.

Depreciation and amortization increased $8,320,000 (44.5%) to $27,009,000 for the year ended December 31, 1997 compared to $18,689,000 for the preceding year. The increase reflects additional expense from the acquisitions, development and redevelopment of communities in 1997 and 1996.

General and administrative expenses increased $2,283,000 (125.2%) to $4,106,000 for the year ended December 31, 1997 compared to $1,823,000 for the preceding year. The increase is primarily due to staff additions and other costs related to the growth of the Company's portfolio.

Interest income increased $28,000 (15.7%) to $206,000 for the twelve months ended December 31, 1997 compared to $178,000 for the preceding year, primarily due to higher average cash balances during 1997 as compared to 1996.

Capitalization of Fixed Assets and Community Improvements

The Company maintains a policy with respect to capital expenditures that generally provides that only non-recurring expenditures are capitalized. Improvements and upgrades are capitalized only if the item exceeds $15,000, extends the useful life of the asset and is not related to making an apartment home ready for the next resident. Under this policy, virtually all capitalized costs are non-recurring, as recurring make ready costs are expensed as incurred, including costs of carpet and appliance replacements, floor coverings, interior painting and other redecorating costs. Purchases of personal property (such as computers and furniture) are capitalized only if the item is a new addition (i.e., not a replacement) and only if the item exceeds $2,500. The application of these policies for the year ended December 31, 1998 resulted in non-revenue generating capitalized expenditures for Stabilized Communities of approximately $158 per apartment home on a pro forma basis for the Merger. For the year ended December 31, 1998 the Company charged to maintenance expense, including carpet and appliance replacements, a total of

approximately $24,500,000 for Stabilized Communities or $946 per apartment home on a pro forma basis. Management anticipates that capitalized costs per apartment home will gradually rise as the Company's portfolio of communities matures.

Liquidity and Capital Resources

Liquidity. A primary source of liquidity to the Company is cash flows from operations. Operating cash flows have historically been determined by the number of apartment homes, rental rates, occupancy levels and the Company's expenses with respect to such apartment homes. The cash flows provided by financing activities and used in investing activities have historically been dependent on the capital markets environment, and thus the number of apartment homes under active development and construction as well as those that were acquired during any given period.

Cash and cash equivalents increased from $3,188,000 at December 31, 1997 to $8,890,000 at December 31, 1998 due to the excess of cash provided by financing and operating activities over cash flow used in investing activities.

Net cash provided by operating activities increased by $128,579,000 from $62,650,000 for the year ended December 31, 1997 to $191,229,000 for the year ended December 31, 1998 primarily due to an increase in operating income from the former Avalon communities as well as the existing Bay communities.

Cash used in investing activities increased $44,259,000 from $574,970,000 for the year ended December 31, 1997 to $619,229,000 for the year ended December 31, 1998. This increase in expenditures reflects increased construction and reconstruction activity, net of a decrease in acquisition activity (which is attributable to the purchase of the Southern California Travelers portfolio in 1997 not present in 1998 combined with higher yield requirements in 1998 that constrained investing activity) and the proceeds from the sale of communities in 1998.

Net cash provided by financing activities decreased by $80,886,000 from $514,588,000 for the year ended December 31, 1997 to $433,702,000 for the year ended December 31, 1998 primarily due to reduced financing activity in response to unfavorable capital markets. The increase is also attributable to an increase in dividends paid, as a result of a 21% Common Stock dividend increase in July 1998 and additional common and preferred shares issued in connection with the Merger.

Cash and cash equivalents increased from $920,000 at December 31, 1996 to $3,188,000 at December 31, 1997 due to the excess of cash provided by financing and operating activities over cash flow used in investing activities.

Net cash provided by operating activities increased by $23,426,000 from $39,224,000 for the year ended December 31, 1996 to $62,650,000 for the year ended December 31, 1997 primarily due to an increase in operating income from acquisition and existing communities.

Cash used in investing activities increased by $358,970,000 from $216,000,000 for the year ended December 31, 1996 to $574,970,000 for the year ended December 31, 1997. This increase reflects the increase in expenditures for communities acquired in Southern California, and the amounts used to acquire, develop, construct and reconstruct the Development and Redevelopment Communities.

Net cash provided by financing activities increased by $338,569,000 from $176,019,000 for the year ended December 31, 1996 to $514,588,000 for the year ended December 31, 1997 primarily due to higher net proceeds from securities offerings and borrowings under the unsecured credit facility in 1997 as compared to 1996, offset by an increase in dividends paid.

The Company regularly reviews its short-term liquidity needs and the adequacy of Funds from Operations ("FFO") and other expected liquidity sources to meet these needs. The Company believes that its principal short-term

liquidity needs are to fund normal recurring operating expenses, debt service payments, the distribution required with respect to the Preferred Stock and the minimum dividend payments required to maintain the Company's REIT qualification under the Internal Revenue Code of 1986, as amended. Management anticipates that these needs will be fully funded from cash flows provided by operating activities. Any short-term liquidity needs not provided by current operating cash flows would be funded from the Company's Unsecured Facility.

Management anticipates that no significant portion of the principal of any indebtedness will be repaid prior to maturity and if the Company does not have funds on hand sufficient to repay such indebtedness, it will be necessary for the Company to refinance this debt. Such 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. There can be no assurance that such additional debt financing or debt or equity offerings will be available or, if available, that they will be on terms satisfactory to the Company.

Capital Resources. Management intends to match the long-term nature of its real estate assets with long-term cost effective capital. The Company has benefited from regular and continuous access to the capital markets since its initial public offering, raising approximately $2.5 billion, on a pro forma basis. Approximately $800 million, on a pro forma basis, has been raised in capital markets offerings since January, 1998. The following table summarizes capital market activity for both Avalon and the Company since January 1, 1998:

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

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

1. Hire, train and retain associates with a strong resident service focus, which should lead to higher rents, lower turnover and reduced operating costs;
2. Manage, acquire and develop institutional quality communities with in-fill locations that should provide consistent, sustained earnings growth;
3. Operate in markets with growing demand (as measured by household formation and job growth) and high barriers-to-entry. These characteristics combine to provide a favorable demand-supply balance, which the Company believes will create a favorable environment for future rental rate growth while protecting existing and new communities from new supply. This strategy is expected to result in a high level of quality to the revenue stream;
4. Maintain a conservative capital structure largely comprised of equity and with modest, cost-effective leverage. Secured debt will generally be avoided and used primarily to secure low cost, tax-exempt debt. Management believes that such a capital structure should promote an environment whereby current ratings levels can be maintained;
5. Follow accounting practices that provide a high level of quality to reported earnings; and
6. Provide timely, accurate and detailed disclosures to the investment community.

Management believes these strategies provide a disciplined approach to capital access to help position the Company to fund portfolio growth.

Recent volatility in the capital markets has decreased the Company's access to cost effective capital. See "Future Financing and Capital Needs" for a discussion of Management's response to the current capital markets environment.

The following is a discussion of specific capital transactions, arrangements and agreements that are important to the capital resources of the Company.

Unsecured Facility

The Company's Unsecured Facility is furnished by a consortium of banks that provides for $600,000,000 in short-term credit and is subject to an annual facility fee of $900,000. The Unsecured Facility bears interest at varying levels tied to the London Interbank Offered Rate ("LIBOR") based on ratings levels achieved on the Company's senior unsecured notes and on a maturity selected by the Company. The current pricing is LIBOR plus .6% per annum and matures in July 2001, with two one-year extension options. The Unsecured Facility, which was put into place during June 1998, replaced three separate credit facilities previously available to the separate companies prior to the Merger that had terms similar to the Unsecured Facility. A competitive bid option (which allows banks that are part of the lender consortium to bid to make loans to the Company at a rate that is lower than the stated rate provided by the Unsecured Facility) is available for up to $400,000,000 which may result in lower pricing if market conditions allow. Pricing under the competitive bid option resulted in average pricing of LIBOR plus .48% for balances most recently placed under the competitive bid option. At March 1, 1999, $285,500,000 was outstanding, $30,200,000 was used to provide letters of credit and $284,300,000 was available for borrowing under the Unsecured Facility. The Company will use borrowings under the Unsecured Facility for capital expenditures, acquisitions of developed or undeveloped communities, construction, development and renovation costs, credit enhancement for tax-exempt bonds and for working capital purposes.

Interest Rate Protection Agreements

The Company is not a party to any long-term interest rate agreements, other than interest rate protection and swap agreements on certain tax-exempt indebtedness. The Company intends, however, to evaluate the need for long-term interest rate protection agreements as interest rate market conditions dictate and has engaged a consultant to assist in managing the Company's interest rate risks and exposure.

Financing Transactions Completed

In January 1998, Avalon completed a $100,000,000 offering of unsecured senior notes. The notes bear interest at 6.625% payable semi-annually on January 15 and July 15 and will mature on January 15, 2005. The Company used the net proceeds of approximately $99,000,000 to repay amounts outstanding under Avalon's unsecured credit facilities.

In January 1998, Avalon completed the sale of 923,856 shares of common stock to The Prudential Insurance Company of America at a net purchase price of $29.09 per share. The net proceeds of approximately $27,000,000 were used to retire indebtedness under Avalon's unsecured credit facilities.

In January 1998, Bay issued $150,000,000 of senior unsecured notes, of which $50,000,000 of the notes bear interest at 6.25% and will mature in January 2003, $50,000,000 of the notes bear interest at 6.5% and will mature in January 2005 and $50,000,000 of the notes bear interest at 6.625% and will mature in January 2008. Semi-annual interest payments are payable on January 15 and July 15. The net proceeds of approximately $149,000,000 were used to reduce borrowings under Bay's then existing unsecured credit facility.

In April 1998, Bay sold 1,244,147 shares of Common Stock in an underwritten public offering at a public offering price of $37.375 per share. The net proceeds to Bay of approximately $44,000,000 were used to reduce borrowings under the Company's unsecured credit facility.

In July 1998, the Company issued $250,000,000 of senior unsecured notes, of which $100,000,000 of the notes bear interest at 6.5% and will mature in July 2003 and $150,000,000 of the notes bear interest at 6.8% and will mature in July 2006. Semi-annual interest payments are payable on January 15 and July 15. The net proceeds of $248,000,000 were used to reduce borrowings under the Company's Unsecured Facility.

In October 1998, the Company completed an underwritten public offering of 4,000,000 shares of 8.7% Series H Cumulative Redeemable Preferred Stock at a public price of $25 per share. Quarterly dividends are payable on March 15, June 15, September 15 and December 15. The net proceeds of approximately $97,000,000 were used to reduce borrowings under the Company's Unsecured Facility.

In January 1999, the Company issued $125,000,000 of medium-term unsecured notes bearing interest at 6.58% and maturing in February 2004. Semi-annual interest payments are payable on February 15 and August 15. The net proceeds of approximately $124,000,000 were used to reduce borrowings under the Company's Unsecured Facility.

Registration Statements Filed in Connection with Financings

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

Future Financing and Capital Needs

As of December 31, 1998, the Company had 24 new communities under construction by the Company or by others for the Company (for which the Company has entered into forward purchase commitments) with a total estimated cost of $497,000,000 remaining to be invested as of that date. In addition, the Company had a total of 13 communities that were under reconstruction of which an estimated $68,000,000 remained to be invested as of that date.

Substantially all of the capital expenditures to complete the communities currently under construction and reconstruction will be funded from the Unsecured Facility, the sale of existing communities, retained operating cash or the issuance of debt or equity securities. Management expects to continue to fund deferred development costs related to future developments from FFO and borrowings under the Unsecured Facility as these sources of capital are expected to be adequate to take the proposed communities to the point in the development cycle where construction can commence.

The industry and the Company have seen a reduction in the availability of cost effective capital over the last nine months. No assurance can be provided that cost effective capital will be available to meet future expenditures required to commence planned reconstruction activity or the construction of the Development Rights. Before planned reconstruction activity or the construction of a Development Right commences, the Company intends to arrange adequate liquidity sources to complete such undertakings, although no assurance can be given in this regard.

Management estimates that a significant portion of the Company's liquidity needs will be met from retained operating cash and borrowings under the Company's Unsecured Facility. To meet the balance of the Company's liquidity needs, it will be necessary to arrange additional capacity under the Company's existing Unsecured Facility, sell additional existing communities and/or issue additional debt or equity securities. While Management believes the Company has the financial position to expand its short term credit capacity and support such capital markets activity, no assurance can be provided that the Company will be successful in completing these arrangements, offerings or sales. If these transactions cannot be completed on a cost-effective basis, then a

continuation of the current capital market conditions described herein could have a material adverse impact on the operating results and financial condition of the Company, including the abandonment of deferred development costs and the a charge to earnings.

During 1998, the Company determined that it would pursue a disposition strategy for certain assets in markets that did not meet its long-term strategic direction. In connection with this decision, the Company's Board of Directors authorized Management to pursue the disposition of certain communities. The Company will solicit competing bids from unrelated parties for these individual assets, and will consider the sales price and tax ramifications of each proposal. Management intends to actively seek buyers for these assets during 1999. However, there can be no assurance that such assets can be sold on terms that are satisfactory to the Company. The Company disposed of the following communities in connection with this disposition strategy (dollars in thousands) as of March 1, 1999:

<TABLE>
<CAPTION>

Communities	Location	Period disposed	Apartment homes	Debt	Gross sales price	Net proceeds
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Arbor Park	Upland, CA	3Q98	260	$ --	$ 12,580	$ 12,540
Avalon Pointe	Stafford, VA	4Q98	140	6,380	9,450	2,920
Avalon Ridge	Silver Spring, MD	4Q98	432	26,815	35,210	7,700
Chase Lea	Owings Mill, MD	4Q98	296	16,835	21,840	4,500
Avalon at Carter Lake	Reston, VA	4Q98	259	--	16,800	16,560
Reflections	Fresno, CA	4Q98	516	--	22,420	21,980
Sommerset	Vacaville, CA	4Q98	136	--	7,900	7,700
			2,039	$ 50,030	$ 126,200	$ 73,900

</TABLE>

To facilitate the sale of Sommerset, the Company provided short-term financing to the purchaser for 80% of the gross sales price. Accordingly, $6,320,000 of the net proceeds will be received at maturity of this financing.

The proceeds from the sale of these communities will be re-deployed to the development and redevelopment communities currently under construction or reconstruction. Pending such redeployment, the proceeds from the sale of these communities were primarily used to repay amounts outstanding under the Company's Unsecured Facility.

The remaining assets that have been identified for disposition include land, buildings and improvements and furniture, fixtures and equipment. At December 31, 1998, total real estate, net of accumulated depreciation, of all communities currently identified for sale totaled $231,492,000. Certain individual assets are secured by mortgage indebtedness which may be assumed by the purchaser or repaid by the Company from the net sales proceeds. The Company's consolidated statements of operations includes net income from the communities held for sale of $3,916,000, $1,633,000 and $1,301,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

In connection with an agreement executed by Avalon in March 1998 which provided for the buyout of certain limited partners in DownREIT V Limited Partnership, the Company sold two communities in July 1998. Gross proceeds from the sale of the two communities, containing an aggregate of 758 apartment homes, were approximately $44 million.

Because the proceeds from the sale of communities are used initially to reduce borrowings under the Unsecured Facility, the immediate effect of a sale of a community is to reduce earnings, as the yield on a community that is sold exceeds the interest rate on borrowings under the Unsecured Facility. Therefore, changes in the timing, number of dispositions and the redeployment of the net proceeds therefrom may have a material and adverse effect on the Company's earnings.

Debt Maturities

The table on the following page summarizes debt maturities for the next five years (excluding the Unsecured Facility):

(Dollars in thousands)

<TABLE>
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COMMUNITY	ALL-IN INTEREST RATE	PRINCIPAL MATURITY DATE	BALANCE OUTSTANDING 12-31-97	12-31-98	1999
<S>	<C>	<C>	<C>	<C>	<C>
Tax-Exempt Bonds:					
FIXED RATE					
Canyon Creek	6.48%	Jun-25	$ 38,534	$ 38,052	$ 517
Waterford	5.88%	Aug-14	33,100	33,100	--
City Heights	5.80%	Jun-25	20,714	20,496	233
CountryBrook	7.87%	Mar-12	19,850	19,568	305
Villa Mariposa	5.88%	Mar-17	18,300	18,300	--
Sea Ridge	6.48%	Jun-25	17,479	17,261	235
Foxchase I	5.88%	Nov-07	16,800	16,800	--
Barrington Hills	6.48%	Jun-25	13,185	13,020	177
Rivershore	6.48%	Nov-22	10,309	10,162	158
Foxchase II	5.88%	Nov-07	9,600	9,600	--
Fairway Glen	5.88%	Nov-07	9,580	9,580	--
Crossbrook	6.48%	Jun-25	8,484	8,382	109
Larkspur Canyon	5.50%	Jun-25	7,610	7,530	85
Avalon View	7.55%	Aug-24	--	19,085	290
Avalon at Lexington	6.56%	Feb-25	--	14,843	240
Avalon Knoll	6.95%	Jun-26	--	13,755	175
Avalon at Dulles	7.04%	Jul-24	--	12,360	--
Avalon Fields	7.57%	May-27	--	11,881	137
Avalon at Hampton II	7.04%	Jul-24	--	11,550	--
Avalon at Symphony Glen	7.06%	Jul-24	--	9,780	--
Avalon West	7.73%	Dec-36	--	8,681	50
Avalon Landing	6.85%	Jun-26	--	6,809	89
			223,545	330,595	2,800
VARIABLE RATE					
Avalon at Devonshire		Dec-25	--	27,305	--
Avalon at Fairway Hills I		Jun-26	--	11,500	--
Laguna Brisas		Mar-09	--	10,400	--

Avalon at Hampton I		Jun-26	--	8,060	--
			--------	----------	--------
			--	57,265	--
CONVENTIONAL LOANS:					
FIXED RATE					
$100 Million Senior Unsecured Notes	7.375%	Sep-02	--	100,000	--
$100 Million Senior Unsecured Notes	6.625%	Jan-05	--	100,000	--
$110 Million Senior Unsecured Notes	6.875%	Dec-07	--	110,000	--
$50 Million Senior Unsecured Notes	6.25%	Jan-03	--	50,000	--
$50 Million Senior Unsecured Notes	6.50%	Jan-05	--	50,000	--
$50 Million Senior Unsecured Notes	6.625%	Jan-08	--	50,000	--
$100 Million Senior Unsecured Notes	6.500%	Jul-03	--	100,000	--
$150 Million Senior Unsecured Notes	6.800%	Jul-06	--	150,000	--
Governor's Square	7.65%	Aug-04	14,184	14,064	142
The Arbors	7.25%	May-04	12,870	12,870	--
Gallery Place	7.31%	May-01	11,685	11,486	214
Cedar Ridge	6.50%	Jul-99	1,000	1,000	1,000
Avalon Walk II	8.93%	Nov-04	--	12,762	221
Avalon Pines	8.00%	Dec-03	--	5,329	112
			--------	----------	--------
			39,739	767,511	1,689
VARIABLE RATE-NONE			--	--	--
			--------	----------	--------
TOTAL INDEBTEDNESS - EXCLUDING CREDIT FACILITY			$263,284	$1,155,371	$ 4,489
			========	==========	========

</TABLE>

<TABLE>
<CAPTION>

COMMUNITY	2000	2001	2002	2003	Thereafter
<S>	<C>	<C>	<C>	<C>	<C>
Tax-Exempt Bonds:					
FIXED RATE					
Canyon Creek	$ 554	$ 594	$ 637	$ 684	$ 35,066
Waterford	--	--	--	--	33,100
City Heights	250	268	288	308	19,149
CountryBrook	330	357	386	417	17,773
Villa Mariposa	--	--	--	--	18,300
Sea Ridge	251	270	289	310	15,906
Foxchase I	--	--	--	--	16,800
Barrington Hills	190	203	218	234	11,998
Rivershore	171	184	198	213	

					9,238
Foxchase II	--	--	--	--	9,600
Fairway Glen	--	--	--	--	9,580
Crossbrook	117	126	136	146	7,748
Larkspur Canyon	91	98	105	112	7,039
Avalon View	330	350	373	397	17,345
Avalon at Lexington	255	271	288	307	13,482
Avalon Knoll	187	200	214	230	12,749
Avalon at Dulles	--	--	--	--	12,360
Avalon Fields	147	157	169	180	11,091
Avalon at Hampton II	--	--	--	--	11,550
Avalon at Symphony Glen	--	--	--	--	9,780
Avalon West	53	57	61	65	8,395
Avalon Landing	95	101	108	116	6,300
	3,021	3,236	3,470	3,719	314,349
VARIABLE RATE					
Avalon at Devonshire	--	--	--	--	27,305
Avalon at Fairway Hills I	--	--	--	--	11,500
Laguna Brisas	--	--	--	--	10,400
Avalon at Hampton I	--	--	--	--	8,060
	--	--	--	--	57,265
CONVENTIONAL LOANS:					
FIXED RATE					
$100 Million Senior Unsecured Notes	--	--	100,000	--	--
$100 Million Senior Unsecured Notes	--	--	--	--	100,000
$110 Million Senior Unsecured Notes	--	--	--	--	110,000
$50 Million Senior Unsecured Notes	--	--	--	50,000	--
$50 Million Senior Unsecured Notes	--	--	--	--	50,000
$50 Million Senior Unsecured Notes	--	--	--	--	50,000
$100 Million Senior Unsecured Notes	--	--	--	100,000	--
$150 Million Senior Unsecured Notes	--	--	--	--	150,000
Governor's Square	153	165	178	193	13,233
The Arbors	--	--	--	--	12,870
Gallery Place	230	11,042	--	--	--
Cedar Ridge	--	--	--	--	--
Avalon Walk II	241	264	288	315	11,433
Avalon Pines	121	131	142	4,823	--
	745	11,602	100,608	155,331	497,536
VARIABLE RATE-NONE	--	--	--	--	--
TOTAL INDEBTEDNESS - EXCLUDING CREDIT FACILITY	$ 3,766	$ 14,838	$104,078	$159,050	

$869,150

========	========	========	========

========
</TABLE>

Inflation

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

Year 2000 Compliance

The statements in the following section include "Year 2000 readiness disclosure" within the meaning of the Year 2000 Information and Readiness Disclosure Act of 1998.

The Year 2000 compliance issue concerns the inability of computer systems to accurately calculate, store or use a date after December 31, 1999. This could result in a system failure causing disruptions of operations or create erroneous results. The Year 2000 issue affects virtually all companies and organizations.

Management has been taking steps to understand the nature and extent of the work required to make its information computer systems ("IT Systems") and non-information embedded systems ("Non-IT Systems") Year 2000 compliant, as well as to determine what effects non-compliance by the Company's significant business partners may have on the Company. Management has assigned key personnel to the Company's Year 2000 Task Force ("the Task Force") to coordinate compliance efforts. The Task Force is represented by executive, financial and community operation functions. An outside consulting firm ("Y2K Consultants") has been engaged by the Company to assist the Task Force in detecting Non-IT Systems that are not Year 2000 compliant. The Y2K Consultants will aid in assessing the compliance of the Company's Non-IT Systems and, for non-compliant systems, will recommend replacement, upgrades or alternative solutions based on the system's importance to business operations or financial impact, likelihood of failure, life safety concerns and available contingency options.

Management has identified certain phases necessary to become Year 2000 compliant and has established an estimated timetable for completion of those phases, as shown below:

<TABLE>
<CAPTION>

PHASE	DEFINITION	ESTIMATED COMPLETION DATE AS OF MARCH 1, 1999
<S>	<C>	<C>
1. Designate Task Force	Assign key management personnel to the Company's Year 2000 Task Force ("the Task Force") to coordinate compliance efforts	Completed
2. Introduce Year 2000 Awareness	Communicate the Year 2000 issue to the Company. Ensure current and future acquisition, development and operation processes address Year 2000 compliance	Completed
3. Inventory System 3.1 Initial Review 3.2 Follow-up Review	INITIAL REVIEW: Identify the Company's information computer systems ("IT Systems") and non-information embedded systems ("Non-IT Systems") and provide findings to Y2K Consultant FOLLOW-UP REVIEW: Utilize Y2K Consultant analysis of the Initial Review to detect previously unknown Non-IT systems	Initial Review: Completed Follow-up Review: March 31, 1999
4. Contact Vendors	Contact vendors of all IT and Non-IT Systems to request assurance regarding the compliance of those systems	IT Systems: Completed Non-IT Systems: April 15, 1999

</TABLE>

(continued on next page)

5.	Prioritize and Budget	Prioritize non-compliant IT and Non-IT Systems and prepare initial budget for cost of becoming compliant	April 30, 1999
6.	Identify Solutions	Identify the course of action necessary to become Year 2000 compliant, and engage third party service providers where needed	April 30, 1999
7.	Contingency Plan 7.1 General Community 7.2 Site Specific	Develop contingency plans to minimize disruptions and data processing errors in the event impacted IT and Non-IT Systems are not Year 2000 compliant on January 1, 2000. General Community contingency plans will be developed for each community type. Where necessary (as determined by system inventory) Site Specific contingency plans will be developed	General Comm: May 15, 1999 Site Specific: October 31, 1999
8.	Replace/Upgrade and Test Solutions	Replace or upgrade certain non-compliant IT and Non-IT Systems and test functionality of critical systems	Replace/Upgrade: July 31, 1999 Test: October 31, 1999
9.	Communicate to Residents	Communicate to residents steps the Company has taken towards becoming Year 2000 compliant and remaining IT and Non-IT Systems that may still be impacted	October 31, 1999

The Year 2000 Task Force has completed the Inventory System Phase for computerized IT Systems. The assessment determined that it will be necessary to modify, update or replace limited portions of the Company's computer hardware and software applications.

The Company anticipates that replacing and upgrading certain existing IT Systems (both hardware and software) in the normal course of business will result in Year 2000 compliance by the end of the second quarter of 1999. The vendor that provides the Company's existing accounting software has a compliant version of its product, but growth in the Company's operations requires a general ledger system with scope and functionality that is not present in either the system currently in use or the Year 2000 compliant version of that system. Accordingly, the Company is replacing the current general ledger system with an enhanced system that, in addition to increased functionality, is Year 2000 compliant. The new general ledger system has been selected and is expected to be implemented by the third quarter of 1999. The Company is not treating the cost of this new system as a Year 2000 expense because the implementation date has not been accelerated due to Year 2000 compliance concerns. The cost of the new general ledger system, after considering anticipated efficiencies provided by the new system, is not currently expected to have a material effect (either beneficial or adverse) on the Company's financial condition or results of operations.

The Task Force has also completed the Initial Review of the Inventory System Phase of the Company's Non-IT Systems (e.g., security, heating and cooling, fire and elevator systems) at each community that may not be Year 2000 compliant and has identified areas of risks for non-compliance by community type. The high-rises, mid-rises and newer garden communities represent the greatest risk of non-compliant systems as they have the most systems per community. In conjunction with the Y2K Consultants, the Task Force is currently conducting an assessment of these systems at all communities to identify and evaluate the changes and modifications necessary to make these systems compliant for Year 2000 processing. The Task Force is currently conducting the Follow-up Review of the Inventory System Phase to ensure any previously undetected Non-IT Systems are addressed for Year 2000 compliance. This review is expected to be completed by March 31, 1999.

The Y2K Consultants are currently in the process of verifying inventory and obtaining risk assurance regarding Year 2000 compliance of detected Non-IT Systems, and this process is expected to be completed by April 15, 1999. The Task Force and Y2K Consultants will prioritize the non-compliant systems, if any, and proceed according to the phases described above. No assurance, however, can be given that completion of the above phases will identify all non-compliant systems.

Upon completion of each of the above described upgrades and replacements of the Company's IT and Non-IT Systems, the Company will commence testing to ensure Year 2000 compliance. Testing will be performed on systems:

- which are critical to business operations or life safety;
- which entail a material financial impact in the event of non-compliance;
- with a high likelihood of failure;
- for which the Task Force is unable to obtain reliable third party assurance that the detected system is Year 2000 compliant; and
- which are not deemed to have acceptable contingency options.

The Company currently expects its testing to be completed during the fourth quarter of 1999. While the Company anticipates such tests will be successful in all material respects, the Task Force intends to closely monitor the Company's Year 2000 compliance progress and will develop contingency plans in the event Non-IT Systems are not compliant. The Task Force will create functional contingency plans by community type that will encompass substantially all of the Company's existing portfolio, discussed above as General Community contingency plans. For certain communities, primarily communities with high-rise buildings, specific contingency plans will be required, discussed above as Site Specific contingency plans. The Task Force will continue to review both compliance and contingency plans, throughout all of the above phases, in an effort to detect if any systems will not be compliant on time.

Management currently anticipates that the costs of becoming Year 2000 compliant for all impacted Non-IT Systems will be approximately $750,000, based on the current progress towards the completion of the Prioritize and Budget Phase. Based on available information, the Company believes that the ultimate cost of achieving Year 2000 compliance will not have a material adverse effect on its business, financial condition or results of operations. However, no assurance can be given that the Company will be Year 2000 compliant by December 31, 1999 or that the Company will not incur significant costs pursuing Year 2000 compliance.

The third parties with which the Company has material relationships include the Company's utility providers and the vendor that will provide the Company's new accounting software system. The Company, together with the Y2K Consultants, is communicating with these and other third party vendors to determine the efforts being made on their part for compliance and to request representation that their systems will be Year 2000 compliant. No assurance can be given that such representations will be received by the Company or that they will prove to be accurate. As described above, the Company expects that its accounting software will be Year 2000 compliant.

The Company is not aware of third parties, other than its residents and owners of communities for which the Company provides community management services, to which it could have potential material liabilities should its IT or Non-IT Systems be non-compliant on January 1, 2000. The inability of the Company to achieve Year 2000 compliance on its Non-IT Systems by January 1, 2000 may cause disruption in services that could potentially lead to declining occupancy rates, rental concessions, or higher operating expenses, and other material adverse effects, which are not quantifiable at this time. These disruptions may include, but are not limited to, disabled fire control systems, lighting controls, utilities, telephone and elevator operations.

Currently, the Company has not delayed any information technology or non-information technology projects due to the Year 2000 compliance efforts. However, the Company can neither provide assurance that future delays in such projects will not occur as a result of Year 2000 compliance efforts, nor anticipate the effects of such delays on the Company's operations.

Funds from Operations

Management generally considers Funds from Operations to be an appropriate measure of the operating performance of the Company because it provides investors an understanding of the ability of the Company to incur and service debt and to make capital expenditures. The Company believes that in order to facilitate a clear understanding of the operating results of the Company, FFO should be examined in conjunction with net income as presented in the consolidated financial statements included elsewhere in this report. FFO is determined in accordance with a definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts(R), and is defined as net income (loss) computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sales of property, plus depreciation of real estate assets and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative to net income as an indication of the Company's performance or to net cash flows from operating activities as determined by GAAP as a measure of liquidity and is not necessarily indicative of cash available to fund cash needs. Further, FFO as calculated by other REITs may not be comparable to the Company's calculation of FFO.

For the year ended December 31, 1998, FFO increased to $144,152,000 from $62,417,000 for the year ended December 31, 1997. This increase is primarily due to the acquisition of additional communities in connection with the Merger and secondarily to delivery of new development and redevelopment communities. Growth in earnings from West Coast Established Communities as well as acquisition activity in 1998 and 1997 also contributed to the increase.

FFO for the three and twelve months ended December 31, 1998 and 1997 are summarized on the following page (dollars in thousands):

ANALYSIS OF 1998 AND 1997 FUNDS FROM OPERATIONS

<TABLE>
<CAPTION>

	Three months ended		Years ended	
	12-31-98	12-31-97	12-31-98	12-31-97
<S>	<C>	<C>	<C>	<C>
Net income available to common stockholders	$ 22,091	$ 9,396	$ 68,560	$ 31,461
Convertible preferred dividend requirement	--	1,174	1,174	4,640
Depreciation (real estate related)	29,708	7,669	76,412	25,962
Joint venture adjustments	183	--	428	--
Amortization of non-recurring costs (1)	90	90	360	354
Minority interest	468	--	1,188	--
Gain on sale of communities	(3,930)	--	(3,970)	--
Funds from Operations available to common stockholders	$ 48,610	$ 18,329	$ 144,152	$ 62,417
Common shares outstanding	63,887,126	26,077,518	63,887,126	26,077,518
OP Units outstanding	894,144	295,121	894,144	295,121
	64,781,270	26,372,639	64,781,270	26,372,639
Average shares outstanding - basic	64,486,472	25,258,094	49,488,868	22,472,394
Shares issued from assumed conversion of:				
Preferred stock	--	2,713,822	--	2,713,822
Common stock options	321,668	324,137	418,813	--
Unvested restricted stock grants	239,228	--	239,228	322,093
Average shares outstanding - diluted	65,047,368	28,296,053	50,146,909	

25,508,309

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</TABLE>

(1) Represents the amortization of pre-1986 bond issuance costs carried forward to the Company and costs associated with the reissuance of tax-exempt bonds incurred prior to the initial public offering of Bay in March 1994 (the "Initial Offering") in order to preserve the tax-exempt status of the bonds at the Initial Offering.

Management Information Systems

The Company believes that a state-of-the-art management information systems infrastructure will be a key element in managing the Company's future growth. The Company employs a proprietary company-wide intranet using a digital network with high-speed digital lines. This network connects all communities and offices back to central servers in Alexandria, Virginia, providing access to Company associates throughout the country from all locations. This infrastructure also allows the Company to employ new "network computers" that are less expensive to purchase and support, which reduces the Company's "total cost of ownership" for each work station. The Company believes that timely and accurate collection of financial and resident profile data will enable the Company to maximize revenue through careful leasing decisions and financial management. During 1998, the Company began the development of a new property management system to enable the capture and analysis of data to an extent that would not be available using existing commercial software. The Company intends to develop this system through a joint venture with one or more public multifamily real estate companies. The Company currently expects that the total development costs over a three-year period will be approximately $7.0 million, and such development costs will be shared on a pro rata basis by those companies that participate in the joint venture. Once developed the Company intends to use the system in place of current property management information systems for which the Company pays license fees to third parties.

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The Company's operating results are affected by changes in interest rates as a result of borrowing under the Company's Unsecured Facility as well as issuing bonds with variable interest rates. If interest rates under the Unsecured Facility and other variable rate indebtedness had been one percent higher throughout 1998, the Company's annual interest costs would have increased by approximately $2,500,000, based on balances outstanding during the year ending December 31, 1998. Changes in interest rates also impact the fair value of the Company's fixed rate debt. If the market interest rate applicable to fixed rate indebtedness with maturities similar to the Company's fixed rate indebtedness had been one percent higher, the fair value of the Company's fixed debt on December 31, 1998 would have decreased by approximately $67,000,000, based on balances outstanding at December 31, 1998.

The Company currently uses interest rate swap agreements to reduce the impact of interest rate fluctuations on variable rate indebtedness. Under swap agreements, (i) the Company agrees to pay to a counterparty the interest that would have been incurred on a fixed principal amount at a fixed interest rate (generally, the interest rate on a particular treasury bond on the date the agreement is entered into, plus a fixed increment thereto), and (ii) the counterparty agrees to pay to the Company the interest that would have been incurred on the same principal amount at an assumed floating interest rate tied to a particular market index. As of December 31, 1998, the effect of swap agreements is to fix the interest rate on approximately $200 million of the Company's variable rate tax-exempt debt. The swap agreements were not electively entered into by the Company but, rather, were a requirement of either the bond issuer or the credit enhancement provider related to certain of the Company's tax-exempt bond financings. In addition, because the counterparties providing the swap agreements are major financial institutions with AAA credit ratings by the Standard & Poor's Ratings Group and the interest rates fixed by the swap agreements are significantly higher than current market rates for such agreements, the Company does not believe there is exposure at this time to a default by a counterparty.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

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

The reports of PricewaterhouseCoopers LLP on the financial statements of the Company for the years ended December 31, 1996 and 1997 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles. During the Company's fiscal years ended December 31, 1996 and 1997, and the subsequent interim period through November 11, 1998, there were no disagreements with PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of PricewaterhouseCoopers LLP, would have caused them to make reference thereto in their reports on the financial statements for such years.

During the Company's fiscal years ended December 31, 1996 and 1997, and the subsequent interim period through November 11, 1998, Arthur Andersen LLP was not engaged as an independent accountant to audit either the Company's financial statements or the financial statements of any of its subsidiaries, nor was it consulted regarding the application of the Company's accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

Information pertaining to directors and executive officers of the registrant is incorporated herein by reference to the registrant's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 5, 1999.

ITEM 11. EXECUTIVE COMPENSATION

Information pertaining to executive compensation is incorporated herein by reference to the registrant's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 5, 1999.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information pertaining to security ownership of Management and certain beneficial owners of the registrant's Common Stock is incorporated herein by reference to the registrant's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 5, 1999.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information pertaining to certain relationships and related transactions is incorporated herein by reference to the registrant's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 5, 1999.

PART IV

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

14(a)(1) FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENTS

14(a)(3) EXHIBITS

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

14(b) REPORTS ON FORM 8-K

On October 6, 1998, the Company filed a Current Report on Form 8-K relating to (i) a Special Meeting of Stockholders, held on October 2, 1998, at which the holders of record of the Company's Common Stock as of the close of business on August 26, 1998 were asked to vote on certain amendments; and (ii) an agreement to acquire Hanover Hall and Summer Terrace (a combined community known as Hanover Hall). This Form 8-K contained financial statements under Rule 3-14 of Regulation S-X and pro forma financial statements.

On October 21, 1998, the Company filed a Current Report on Form 8-K relating to the completion of the sale of 4,000,000 shares of 8.7% Series H Cumulative Redeemable Preferred Stock.

On November 18, 1998, the Company filed a Current Report on From 8-K relating to a change in the Company's certifying accountant.

On December 21, 1998, the Company filed a Current Report on Form 8-K relating to the offering and sale of $400,000,000 aggregate principal amount of the Company's medium-term-notes due nine months from the date of issue.

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
2.1	-- Merger Agreement, dated as of March 9, 1998, by and between Avalon Properties, Inc. (hereinafter referred to as "Avalon") and Bay Apartment Communities, Inc. (hereinafter referred to as "Bay"). (Incorporated by reference from Bay's Current Report on Form 8-K filed on March 11, 1998.)
3(i).1	-- Articles of Amendment and Restatement of Articles of Incorporation of AvalonBay Communities, Inc. (the "Company"), dated as of June 4, 1998. (Incorporated by reference to Exhibit 3(i).1 to Form 10-Q of the Company filed August 14, 1998.)
3(i).2	-- Articles of Amendment, dated as of October 2, 1998. (Incorporated by reference to Exhibit 3.1(ii) to Form 8-K of the Company filed on October 6, 1998.)
3(i).3	-- Articles Supplementary, dated as of October 13, 1998, relating to the 8.70% Series H Cumulative Redeemable Preferred Stock. (Incorporated by reference to Exhibit 1 to Form 8-A of the Company filed October 14, 1998.)
3(ii).1	-- Bylaws of the Company, as amended and restated, dated as of July 24, 1998. (Incorporated by reference to Exhibit 3(ii).1 to Form 10-Q of the Company filed August 14, 1998.)
3(ii).2	-- Amendment to Bylaws of the Company dated February 10, 1999.
4.1	-- Indenture of Avalon dated as of September 18, 1995. (Incorporated by reference to Form 8-K of Avalon dated September 18, 1995.)
4.2	-- First Supplemental Indenture of Avalon dated as of September 18, 1995. (Incorporated by reference to Avalon's Current Report on Form 8-K dated September 18, 1995.)
4.3	-- Second Supplemental Indenture of Avalon dated as of December 16, 1997. (Incorporated by reference to Avalon's Current Report on Form 8-K filed January 26, 1998.)
4.4	-- Third Supplemental Indenture of Avalon dated as of January 22,

1998. (Incorporated by reference to Avalon's Current Report on Form 8-K filed on January 26, 1998.)

4.5	--	Indenture, dated as of January 16, 1998, between the Company and State Street Bank and Trust Company, as Trustee. (Incorporated by reference to Exhibit 4.1 to Form 8-K of the Company filed on January 21, 1998.)
4.6	--	First Supplemental Indenture, dated as of January 20, 1998, between the Company and the Trustee. (Incorporated by reference to Exhibit 4.2 to Form 8-K of the Company filed on January 21, 1998.)
4.7	--	Second Supplemental Indenture, dated as of July 7, 1998, between the Company and the Trustee. (Incorporated by reference to Exhibit 4.2 to Form 8-K of the Company filed on July 9, 1998.)
4.8	--	Third Supplemental Indenture, dated as of December 21, 1998 between the Company and the Trustee, including forms of Floating Rate Note and Fixed Rate Note (Incorporated by reference to Exhibit 4.4 to Form 8-K filed on December 21, 1998.)
4.9	--	The Company's 7.375% Senior Note due 2002. (Incorporated by reference to Avalon's Current Report on Form 8-K filed on September 18, 1995.)
4.10	--	The Company's 6.250% Senior Note due 2003. (Incorporated by reference to Exhibit 4.3 to Form 8-K of the Company filed January 21, 1998.)
4.11	--	The Company's 6.500% Senior Note due 2005. (Incorporated by reference to Exhibit 4.4 to Form 8-K filed January 21, 1998.)
4.12	--	The Company's 6.625% Senior Note due 2008. (Incorporated by reference to Exhibit 4.5 to Form 8-K filed January 21, 1998.)
4.13	--	The Company's 6.50% Senior Note due 2003. (Incorporated by reference to Exhibit 4.3 to Form 8-K of the Company filed July 9, 1998.)
4.14	--	The Company's 6.625% Senior Note due 2005. (Incorporated by reference to Avalon's Current Report on Form 8-K dated September 18, 1995.)
4.15	--	The Company's 6.80% Senior Note due 2006. (Incorporated by reference to Exhibit 4.4 to Form 8-K of the Company filed July 9, 1998.)
4.16	--	The Company's 6.875% Senior Note due 2007. (Incorporated by reference to Exhibit 4.1 to Avalon's Current Report on Form 8-K filed December 22, 1997.)
4.17	--	Dividend Reinvestment and Stock Purchase Plan of the Company filed October 8, 1998. (Incorporated by reference to Form S-3 of the Company, File No. 333-16647.)
4.18	--	Shareholder Rights Agreement, dated March 9, 1998, between the Company and First Union National Bank (a 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.)

10.1 +	--	Employment agreement, dated as of March 9, 1998, between the Company and Richard L. Michaux. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company filed August 14, 1998.)
10.2 +	--	Employment agreement, dated as of March 9, 1998, between the Company and Charles H. Berman. (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company filed August 14, 1998.)
10.3 +	--	Employment agreement, dated as of March 9, 1998, between the Company and Robert H. Slater. (Incorporated by reference to Exhibit 10.3 to Form 10-Q of the Company filed August 14, 1998.)
10.4 +	--	Employment agreement, dated as of March 9, 1998, between the Company and Thomas J. Sargeant. (Incorporated by reference to Exhibit 10.4 to Form 10-Q of the Company filed August 14, 1998.)
10.5 +	--	Employment agreement, dated as of March 9, 1998, between the Company and Bryce Blair. (Incorporated by reference to Exhibit 10.5 to Form 10-Q of the Company filed August 14, 1998.)
10.6 +	--	Employment agreement, dated as of March 9, 1998, between the Company and Gilbert M. Meyer. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company filed May 15, 1998.)
10.7 +	--	Employment agreement, dated as of March 9, 1998, between the Company and Jeffrey B. Van Horn. (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company filed May 15, 1998.)
10.8 +	--	Employment agreement, dated as of March 9, 1998, between the Company and Max L. Gardner. (Incorporated by reference to Exhibit 10.3 to Form 10-Q of the Company filed May 15, 1998.)
10.9 +	--	Employment agreement, dated as of March 9, 1998, between the Company and Morton L. Newman. (Incorporated by reference to Exhibit 10.4 to Form 10-Q of the Company filed May 15, 1998.)
10.10+	--	Employment agreement, dated as of March 9, 1998, between the

	Company and Debra L. Shotwell. (Incorporated by reference to Exhibit 10.5 to Form 10-Q of the Company filed May 15, 1998.)
10.11	-- Promissory Note, dated July 26, 1996, between the Company and Jeffrey B. Van Horn. (Incorporated by reference to Exhibit 10.2 to Form 8-K of the Company filed January 21, 1997.)
10.12+	-- Avalon Properties, Inc. 1993 Stock Option and Incentive Plan. (Incorporated by reference to Exhibit 10.1 to Avalon's Annual Report to Form 10-K for the year ended December 31, 1993.)
10.13+	-- Avalon Properties, Inc. 1995 Equity Incentive Plan (Incorporated by reference to Avalon's Proxy Statement for the Annual Meeting of Stockholders held on May 9, 1995.)
10.14+	-- AvalonBay Communities, Inc. 1994 Stock Incentive Plan, as amended and restated on April 13, 1998 and subsequently amended on July 24, 1998. (Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed November 16, 1998.)
10.15+	-- 1996 Non-Qualified Employee Stock Purchase Plan, dated June 26, 1997, as amended and restated. (Incorporated by reference to Exhibit 99.1 to Post-effective Amendment No. 1 to Form S-8 of the Company filed June 26, 1997, File No. 333-16837.)
10.16+	-- 1996 Non-Qualified Employee Stock Purchase Plan - Plan Information Statement dated June 26, 1997. (Incorporated by reference to Exhibit 99.2 to Form S-8 of the company, File No. 333-16837.)
10.17	-- Interest Rate Swap Agreement. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company dated May 13, 1994.)
10.18	-- Registration Rights Agreement between the Company and certain stockholders. (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company dated May 13, 1994.)
10.19	-- Registration Rights Agreement, dated as of September 15, 1995 by and between the Company and Purchaser. (Incorporated by reference to Exhibit 4.1 to Form 8-K of the Company, dated September 25, 1995.)
10.20	-- Office lease dated January 4, 1995. (Incorporated by reference to Exhibit 10.21 to Form 10-Q of the Company dated May 10, 1995.)

10.21	-- Form of Agreement of Limited Partnership of Bay Countrybrook, L.P., by and among Bay GP, Inc., the Company and certain other defined Persons. (Incorporated by reference to Exhibit 10.5 to Form 8-K/A of Bay Apartment Communities, Inc. filed July 5, 1996.)
10.22	-- Agreement dated as of May 16, 1997, between the Company J.E. Butler & Associates, Inc.and AP Companies, Ltd. relating to the formation of Bay Rincon, L.P. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of Bay Apartment Communities, Inc. filed August 14, 1997.)
10.23	-- Severance Agreement and Mutual General Release, dated July 31, 1997, between the Company and Geoffrey L. Baker. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of Bay Apartment Communities, Inc. filed November 13, 1997.)
10.24	-- Agreement of Limited Partnership of Bay Pacific Northwest, L.P. dated as of September 12, 1997, between the Company and certain other defined Persons. (Incorporated by reference to Exhibit 10.1 to Form 8-K of Bay Apartment Communities, Inc. filed October 28, 1997.)
10.25	-- Registration Rights Agreement, dated as of September 23, 1997, between the Company and certain defined Holders of units of limited partnership interests in Bay Pacific Northwest, L.P. (Incorporated by reference to Exhibit 10.2 to Form 8-K of the Company filed October 28, 1997.)
10.26	-- Second Amended and Restated Revolving Loan Agreement dated November 21, 1997, between the Company, Union Bank of Switzerland, as Co-Agent and Bank, Union Bank of California, N.A., as Co-Agent and Bank, Union Bank of Switzerland, as Administrative Agent and the other Banks signatory thereto. (Incorporated by reference to Exhibit 10.1 to Form 8-K of the Company dated December 16, 1997.)
10.27	-- Revolving Loan Agreement, dated as of June 23, 1998, between the Company and Fleet National Bank, Morgan Guaranty Trust Company of New York and Union Bank of Switzerland, each as co-agents. (Incorporated by reference to Exhibit 10.6 to Form 10-Q of the Company filed August 14, 1998.)
10.28	-- Contribution and Exchange Agreement dated November 7, 1997. (Incorporated by reference to Avalon Properties, Inc.'s Current Report on Form 8-K filed November 24, 1997.)
10.29	-- Umbrella Agreement, among the Company, certain subsidiaries of the Company, Citibank, N.A., as collateral agent, and Financial Guaranty Insurance Company. (Incorporated by reference to Exhibit 10.7 to Form 10-Q of the Company dated May 13, 1994.)
10.30	-- Cash Collateral Account, Security, Pledge and Assignment Agreement among the Company, certain subsidiaries of the

		Company, Citibank, N.A., as collateral agent, and Financial Guaranty Insurance Company. (Incorporated by reference to Exhibit 10.8 to Form 10-Q of the Company dated May 13, 1994.)
10.31	--	Reimbursement Agreements among certain subsidiaries of the Company, Citibank, N.A., as collateral agent, and Financial Guaranty Insurance Company. (Incorporated by reference to Exhibit 10.9 to Form 10-Q of the Company dated May 13, 1994.)
10.32	--	Guaranty Agreements by Bay Asset Group, Inc., a subsidiary of the Company, in favor of Citibank, N.A., as collateral agent for Financial Guaranty Insurance Company. (Incorporated by reference to Exhibit 10.10 to Form 10-Q of the Company dated May 13, 1994.)
10.33	--	Limited Guaranty Agreements by certain subsidiaries of the Company in favor of Citibank, N.A., as collateral agent, and Financial Guaranty Insurance Company. (Incorporated by reference to Exhibit 10.11 to Form 10-Q of the Company dated May 13, 1994.)
10.34	--	Pledge Agreement between Bay Asset Group, Inc., a subsidiary of the Company and Citibank, N.A., as collateral agent for Financial Guaranty Insurance Company. (Incorporated by reference to Exhibit 10.12 to Form 10-Q of the Company dated May 13, 1994.)
10.35	--	Master Reimbursement Agreement between Avalon and certain Management stockholders. (Incorporated by reference to Avalon's Annual Report on Form 10-K for the year ended December 31, 1993.)
10.36	--	Master Reimbursement Agreement. (Incorporated by reference to Exhibit 10.23 to Form 10-Q of the Company dated August 11, 1995.)
10.37	--	ISDA Master Agreement (Interest rate swap agreement). (Incorporated by reference to Exhibit 10.24 to Form 10-Q of the Company dated August 11, 1995.)
10.38	--	Cash Collateral Pledge, Security and Custody Agreement. (Incorporated by reference to Exhibit 10.25 to Form 10-Q of the Company dated August 11, 1995.)
10.39	--	Indemnification Agreements between the Company and the Directors of the Company.
10.40	--	Distribution Agreement dated December 21, 1998 among the Company and the Agents, including Administrative Procedures, relating to the medium-term notes. (Incorporated by reference to Exhibit 1.1 to Form 8-K of the Company filed on December 21, 1998.)

12.1	--	Statements re: Computation of Ratios.
16.1	--	Letter re: Change in certifying accountant (Incorporated by reference to Exhibit 16.2 to Form 8-K filed November 18, 1998.)
21.1	--	Schedule of Subsidiaries of the Company
23.1	--	Consent of Arthur Andersen LLP
23.2	--	Consent of Coopers & Lybrand, L.L.P.
27.1	--	Financial Data Schedule

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

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.

<TABLE>

<S>	<C>
	AVALONBAY COMMUNITIES, INC.
Date: March 18, 1999	By: /S/ GILBERT M. MEYER

	Gilbert M. Meyer, Executive Chairman of the Board

</TABLE>

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

<TABLE>

<S>	<C>
Date: March 18, 1999	By: /s/ GILBERT M. MEYER

	Gilbert M. Meyer, Executive Chairman of the Board, Director (Principal Executive Officer)
Date: March 18, 1999	By: /s/ RICHARD L. MICHAUX
	Richard L. Michaux, Chief Executive Officer and President, Director (Principal Executive Officer)
Date: March 18, 1999	By: /s/ THOMAS J. SARGEANT
	Thomas J. Sargeant, Chief Financial Officer (Principal Financial and Accounting Officer)
Date: March 18, 1999	By: /s/ BRUCE A. CHOATE
	Bruce A. Choate, Director
Date: March 18, 1999	By: /s/ MICHAEL A. FUTTERMAN
	Michael A. Futterman, Director
Date: March 18, 1999	By: /s/ JOHN J. HEALY, JR.
	John J. Healy, Jr., Director
Date: March 18, 1999	By: /s/ CHRISTOPHER B. LEINBERGER
	Christopher B. Leinberger, Director
Date: March 18, 1999	By: /s/ RICHARD W. MILLER
	Richard W. Miller, Director
Date: March 18, 1999	By: /s/ BRENDA J. MIXSON
	Brenda J. Mixson, Director
Date: March 18, 1999	By: /s/ THOMAS H. NIELSEN
	Thomas H. Nielsen, Director
Date: March 18, 1999	By: /s/ LANCE R. PRIMIS
	Lance R. Primis, Director
Date: March 18, 1999	By: /s/ ALLAN D. SCHUSTER
	Allan D. Schuster, Director

</TABLE>

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheet of AvalonBay Communities, Inc. (a Maryland corporation, the "Company") and subsidiaries as of December 31, 1998, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

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

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

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Real Estate and Accumulated

Depreciation is presented for purposes of complying with the rules of the Securities and Exchange Commission and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Washington, D.C.
January 18, 1999

/s/ ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheet of AvalonBay Communities, Inc. (formerly Bay Apartment Communities, Inc.) and its subsidiaries as of December 31, 1997 and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 1997 and 1996. These financial statements are the responsibility of the management of AvalonBay Communities, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AvalonBay Communities, Inc. as of December 31, 1997 and the consolidated results of their operations and their cash flows for the years ended December 31, 1997 and 1996 in conformity with generally accepted accounting principles.

San Francisco, California
January 30, 1998

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

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

<TABLE>
<CAPTION>

ASSETS	12-31-98	12-31-97
<S>	<C>	<C>
Real estate		
Land	$ 705,989	$ 299,885
Buildings and improvements	2,585,247	839,638
Furniture, fixtures and equipment	103,396	63,631
	3,394,632	1,203,154
Less accumulated depreciation	(143,135)	(79,031)
Net operating real estate	3,251,497	1,124,123
Construction in progress (including land)	407,870	170,361
Communities held for sale	231,492	-

Total real estate, net	3,890,859	1,294,484
Cash and cash equivalents	8,890	3,188
Cash in escrow	7,496	1,597
Resident security deposits	10,383	-
Investments in unconsolidated joint ventures	17,211	-
Deferred financing costs, net	12,376	8,174
Deferred development costs	11,768	4,155
Participating mortgage notes, prepaid expenses and other assets	71,221	6,052
TOTAL ASSETS	$ 4,030,204	$ 1,317,650
LIABILITIES AND STOCKHOLDERS' EQUITY		
Variable rate unsecured credit facility	$ 329,000	$ 224,200
Unsecured senior notes	710,000	-
Notes payable	445,371	263,284
Dividends payable	43,323	12,591
Payables for construction	48,933	3,853
Accrued expenses and other liabilities	43,074	5,598
Accrued interest payable	19,415	84
Resident security deposits	19,422	6,212
TOTAL LIABILITIES	1,658,538	515,822
Minority interest in consolidated partnerships	32,213	9,133
Commitments and contingencies		
Stockholders' equity		
Preferred Stock, $.01 par value; 50,000,000 and 25,000,000 shares authorized at December 31, 1998 and 1997, respectively; 0 and 2,308,800 shares of Series A outstanding at December 31, 1998 and 1997, respectively; 0 and 405,022 shares of Series B outstanding at December 31, 1998 and 1997 respectively; 2,300,000 shares of Series C outstanding at both December 31, 1998 and 1997; 3,267,700 shares of Series D outstanding at both December 31, 1998 and 1997; 4,455,000 and 0 shares of Series F outstanding at December 31, 1998 and 1997, respectively; 4,300,000 and 0 shares of Series G outstanding at December 31, 1998 and 1997, respectively; and 4,000,000 and 0 shares of Series H outstanding at December 31, 1998 and 1997, respectively	183	83
Common Stock, $.01 par value; 140,000,000 and 40,000,000 shares authorized at December 31, 1998 and 1997, respectively; 63,887,126 and 26,077,518 shares outstanding at December 31, 1998 and 1997, respectively	639	261
Additional paid-in capital	2,423,326	823,520
Deferred compensation	(4,356)	-
Dividends in excess of accumulated earnings	(80,339)	(31,169)
TOTAL STOCKHOLDERS' EQUITY	2,339,453	792,695
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,030,204	$ 1,317,650

</TABLE>

See accompanying notes to consolidated financial statements.

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

<TABLE>
<CAPTION>

	Year ended		
	12-31-98	12-31-97	12-31-96
<S>	<C>	<C>	<C>
Revenue:			
Rental income	$ 352,017	$ 126,375	$ 82,833
Management fees	793	--	--
Other income	74	31	5
Total revenue	352,884	126,406	82,838
Expenses:			
Operating expenses	95,980	32,434	21,391
Property taxes	29,778	9,539	6,381
Interest expense	54,003	14,113	14,276
Depreciation and amortization	78,359	27,009	18,689
General and administrative	7,674	4,106	1,823
Total expenses	265,794	87,201	62,560
Equity in income of unconsolidated joint ventures	1,525	--	--
Interest income	3,191	206	178
Minority interest in consolidated partnerships	(1,342)	(470)	(319)
Income before gain on sale of communities and extraordinary item	90,464	38,941	20,137
Gain on sale of communities	3,970	--	--
Income before extraordinary item	94,434	38,941	20,137
Extraordinary item	--	--	(511)
Net income	94,434	38,941	19,626
Dividends attributable to preferred stock	(25,874)	(7,480)	(4,264)
Net income available to common stockholders	$ 68,560	$ 31,461	$ 15,362
Per common share:			
Income before extraordinary item - basic	$ 1.39	$ 1.40	$ 1.06
Income before extraordinary item - diluted	$ 1.37	$ 1.40	$ 1.06
Extraordinary item - basic and diluted	$ --	$ --	$ (0.03)
Net income - basic	$ 1.39	$ 1.40	$ 1.03
Net income - diluted	$ 1.37	$ 1.40	$ 1.03

</TABLE>

See accompanying notes to consolidated financial statements.

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

<TABLE>
<CAPTION>

	Shares issued		Amount		
	Preferred Stock	Common Stock	Preferred Stock	Common Stock	Additional paid-in capital

<S>	<C>	<C>	<C>	<C>	<C>
Balance at 12-31-95	2,308,800	11,544,287	$ 23	$ 115	$ 251,163
Net income	--	--	--	--	--
Dividends declared to common and preferred stockholders	--	--	--	--	--
Issuance of Common Stock, net of offering costs	--	7,463,701	--	75	174,470
Issuance of Preferred Stock, net of offering costs	405,022	--	4	--	9,795
Minority interest	--	--	--	--	295
Balance at 12-31-96	2,713,822	19,007,988	27	190	435,723
Net income	--	--	--	--	--
Dividends declared to common and preferred stockholders	--	--	--	--	--
Issuance of Common Stock, net of offering costs	--	7,069,530	--	71	253,345
Issuance of Preferred Stock, net of offering costs	5,567,700	--	56	--	134,452
Balance at 12-31-97	8,281,522	26,077,518	83	261	823,520
Net income	--	--	--	--	--
Dividends declared to common and preferred stockholders	--	--	--	--	--
Issuance of Common Stock, net of offering costs	--	1,945,801	--	19	64,517
Issances of Preferred Stock, net of offering costs	4,000,000	--	40	--	96,195
Issuance of Stock in connection with the Merger of Avalon Properties, Inc. with and into the Company	8,755,000	33,149,985	88	331	1,439,094
Conversion of Preferred Stock to Common Stock	(2,713,822)	2,713,822	(28)	28	--
Amortization of deferred compensation	--	--	--	--	--
Balance at 12-31-98	18,322,700	63,887,126	$ 183	$ 639	$ 2,423,326

</TABLE>
<TABLE>
<CAPTION>

	Deferred compensation	Dividends in excess of accumulated earnings	Stockholders' equity
<S>	<C>	<C>	<C>
Balance at 12-31-95	$ --	$ (13,718)	$ 237,583
Net income	--	19,626	19,626
Dividends declared to common and preferred stockholders	--	(29,571)	(29,571)
Issuance of Common Stock, net of offering costs	--	--	174,545
Issuance of Preferred Stock, net of offering costs	--	--	9,799
Minority interest	--	--	295
Balance at 12-31-96	--	(23,663)	412,277
Net income	--	38,941	38,941
Dividends declared to common and preferred stockholders	--	(46,447)	(46,447)
Issuance of Common Stock, net of offering costs	--	--	253,416
Issuance of Preferred Stock, net of offering costs	--	--	134,508
Balance at 12-31-97	--	(31,169)	792,695
Net income	--	94,434	94,434
Dividends declared to common and preferred stockholders	--	(143,604)	(143,604)
Issuance of Common Stock, net of offering costs	--	--	64,536
Issances of Preferred Stock, net of offering costs	--	--	96,235

Issuance of Stock in connection with the Merger of Avalon Properties, Inc. with and into the Company	(6,221)	--	1,433,292
Conversion of Preferred Stock to Common Stock	--	--	--
Amortization of deferred compensation	1,865	--	1,865
Balance at 12-31-98	$ (4,356)	$ (80,339)	$ 2,339,453

</TABLE>

See accompanying notes to consolidated financial statements.

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

<TABLE>
<CAPTION>

	Year ended		
	12-31-98	12-31-97	12-31-96
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 94,434	$ 38,941	$ 19,626
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	78,359	27,009	18,689
Amortization of deferred compensation	1,865	--	--
Equity in income of unconsolidated joint ventures	(1,525)	--	--
Income allocated to minority interest in consolidated partnerships	1,342	470	319
Gain on sale of communities	(3,970)	--	--
Extraordinary item	--	--	511
Increase in cash in escrow	(1,792)	(637)	(960)
Increase in prepaid expenses and other assets	(438)	(6,677)	(1,579)
Increase in accrued expenses, other liabilities and accrued interest payable	22,954	3,544	2,618
Net cash provided by operating activities	191,229	62,650	39,224
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Investments in unconsolidated joint ventures	(437)	--	--
Increase in construction payables	30,918	2,200	999
Distributions from equity investments	2,136	--	--
Acquisition of participating mortgage note	(24,000)	--	--
Proceeds from the sale of communities, net of selling costs	118,025	--	--
Merger costs and related activities	(27,533)	--	--
Purchase and development of real estate	(718,338)	(577,170)	(216,999)
Net cash used in investing activities	(619,229)	(574,970)	(216,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common and preferred stock, net	160,771	383,972	184,251
Dividends paid	(112,872)	(42,795)	(26,052)
Proceeds from sale of unsecured senior notes	400,000	--	--
Payment of deferred financing costs	(5,782)	--	--
Repayments of notes payable	(2,693)	(1,201)	(480)
Borrowings under unsecured facilities	669,676	555,000	174,200
Repayments of unsecured facilities	(673,876)	(379,800)	(155,700)
Distributions to minority partners	(1,522)	(588)	(200)
Net cash provided by financing activities	433,702	514,588	176,019
Net increase (decrease) in cash	5,702	2,268	(757)
Cash and cash equivalents, beginning of year	3,188	920	1,677
Cash and cash equivalents, end of year	$ 8,890	$ 3,188	$ 920
Cash paid during year for interest, net of amount capitalized	$ 33,222	$ 14,846	$ 14,292

</TABLE>

See accompanying notes to consolidated financial statements.

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

In connection with the merger of Avalon Properties, Inc. with and into the Company (the "Merger") in June 1998, the Company issued shares of Common and Preferred Stock valued at $1,439,513 in exchange for all of the outstanding capital stock of Avalon Properties, Inc. As a result of the Merger, the Company acquired all of the assets of Avalon Properties, Inc. and also assumed or acquired $643,410 in debt, $6,221 in deferred compensation expense, $67,073 in net other assets, $1,013 in cash and cash equivalents and minority interest of $19,409.

The Company assumed debt in connection with acquisitions totaling $10,400, $39,797 and $27,868 during the years ended December 31, 1998, 1997 and 1996, respectively. The Company issued $3,851, $6,201 and $7,270 in operating partnership units for acquisitions during 1998, 1997 and 1996, respectively. During the years ending December 31, 1998, 1997 and 1996, respectively, 6,818, 162,330 and 3,812 operating partnership units were converted into the Company's Common Stock.

During the year ended December 31, 1998, 2,308,800 shares of Series A Preferred Stock and 405,022 shares of Series B Preferred Stock totaling a par value of $28 were converted into an aggregate of 2,713,822 shares of Common Stock.

Dividends declared but not paid as of December 31, 1998, 1997 and 1996 totaled $43,323, $12,591 and $8,939, respectively.

1. Organization and Significant Accounting Policies

Organization and Recent Developments

AvalonBay Communities, Inc. (together with its subsidiaries, except as the context may otherwise require, the "Company") 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 focused on the ownership and operation of institutional-quality apartment communities in high barrier-to-entry markets of the United States. These markets include Northern and Southern California and selected states in the Mid-Atlantic, Northeast, Midwest and Pacific Northwest regions of the country. The Company is the surviving corporation from the merger (the "Merger") of Avalon Properties, Inc. ("Avalon") with and into the Company (sometimes hereinafter referred to as "Bay" before the Merger) on June 4, 1998. The Merger was accounted for as a purchase of Avalon by Bay. In connection with the Merger, the Company changed its name from Bay Apartment Communities, Inc. to AvalonBay Communities, Inc.

At December 31, 1998, the Company owned or held an ownership interest in 127 apartment communities containing 37,911 apartment homes in sixteen states and the District of Columbia of which 13 communities containing 4,855 apartment homes were under reconstruction. The Company also owned 14 communities with 3,262 apartment homes under construction and rights to develop an additional 27 communities that will contain an estimated 7,239 apartment homes.

During the period January 1, 1996 through December 31, 1997, the Company acquired 28 existing operating communities containing a total of 8,271 apartment homes from unrelated third parties for an aggregate acquisition price of approximately $651,843 (cumulative capitalized cost of $766,980 as of December 31, 1998).

During the period prior to the Merger, January 1, 1998 through June 4, 1998, the Company acquired five communities containing a total of 1,388 apartment homes from unrelated third parties for an aggregate acquisition price of approximately $103,047 (cumulative capitalized cost of $110,228). The Company also acquired one community during this period which was sold prior to December 31, 1998. Subsequent to the Merger, the Company acquired three communities containing a total of 1,433 apartment homes from unrelated third parties for an aggregate acquisition price of approximately $201,800 (cumulative capitalized costs of $202,747 as of December 31, 1998). The Company also acquired a participating mortgage note for $24,000.

During 1998, the Company completed development of four communities, containing 1,770 apartment homes at a total cost of $224,800. Also, eight communities were redeveloped during 1998, at a total cost of $64,300.

Subsequent to the Merger, the Company disposed of nine communities, containing 2,797 apartment homes. The net proceeds from these dispositions will be directed to the development and redevelopment of communities currently under construction or reconstruction. Pending such redeployment, the proceeds from the sale of these communities (approximately $118,000 after repayment of certain secured indebtedness) were primarily used to repay amounts outstanding under the

Company's unsecured credit facility.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned partnerships and subsidiaries and the operating partnerships structured as DownREITs. All significant intercompany balances and transactions have been eliminated in consolidation.

Real Estate

Significant expenditures which improve or extend the life of the 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 development, redevelopment and acquisition. Expenditures for maintenance and repairs are charged to expense as incurred.

The capitalization of costs during the development of assets (including interest and related loan fees, property taxes and other direct and indirect costs) begins when active development commences and ends when the asset is delivered and a final certificate of occupancy is issued. Cost capitalization during redevelopment of assets (including interest and related loan fees, property taxes and other direct and indirect costs) begins when active and substantial redevelopment at a community commences and apartment homes are taken out-of-service for redevelopment and ends when the community's redevelopment is substantially completed, and apartment homes are back in service. The accompanying consolidated financial statements include a provision for deferred development costs related to communities for which the Company's management ("Management") has concluded completion of development is not probable.

Depreciation is calculated on buildings and improvements using the straight-line method over their estimated useful lives, which range from seven to thirty years. Furniture, fixtures and equipment are generally depreciated using the straight-line method over their estimated useful lives, which range from three 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 in operations as they accrue, as such income and costs relate to apartment homes available for lease.

If there is an event or change in circumstance that indicates an impairment in the value of a community has occurred, the Company's policy is to assess any impairment in value by making a comparison of the current and projected operating cash flows of the community over its remaining useful life, on an undiscounted basis, to the carrying amount of the community. If such carrying amounts are in excess of the estimated projected operating cash flows of the community, the Company would recognize an impairment loss equivalent to an amount required to adjust the carrying amount to its estimated fair market value. The Company has not recognized an impairment loss in 1998, 1997 or 1996 on any of its real estate.

Investments in Unconsolidated Joint Ventures

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

Income Taxes

The Company elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, for the year ended December 31, 1994 and has not revoked such election. A corporate REIT is a legal entity which holds real estate interests and, if certain conditions are met (including but not limited to the payment of a minimum level of dividends to stockholders), the payment of federal and state income taxes at the corporate level is avoided or reduced. Management believes that all such conditions for the avoidance of taxes have been met for the periods presented. Accordingly, no provision for federal and state income taxes has been made.

The following summarizes the tax components to stockholders of the Company's common dividends declared for the years ending December 31, 1998, 1997 and 1996:

<TABLE>
<CAPTION>

% of common dividends
declared for:

	1998	1997	1996
Ordinary income	77%	100%	81%
20% rate gain	9%	--	--
Unrecaptured Section 1250 gain	14%	--	--
Non-taxable return of capital	--	--	19%

All dividends declared on all series of the Company's Preferred Stock represented ordinary income to preferred stockholders for tax purposes in the year declared.

Deferred Financing Costs

Deferred financing costs include fees and costs incurred to obtain debt financing and are amortized on a straight-line basis, which approximates the effective interest method, over the shorter of the term of the loan or the related credit enhancement facility, if applicable. Unamortized financing costs are written-off when debt is retired before the maturity date. Accumulated amortization related to deferred financing costs was $4,916 and $3,561 as of December 31, 1998 and 1997, respectively.

Cash and Cash Equivalents

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

Earnings per Common Share

The Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share." In accordance with the provisions of SFAS No. 128, basic earnings per share for the years ended December 31, 1998, 1997 and 1996 is computed by dividing earnings available to common shares (net income less preferred stock dividends) by the weighted average number of shares outstanding during the period. Additionally, other potentially dilutive common shares are considered when calculating earnings per share on a diluted basis. The Company's basic and diluted weighted average shares outstanding for the years ended December 31, 1998, 1997 and 1996 are as follows:

	Year Ended		
	12-31-98	12-31-97	12-31-96
Weighted average common shares outstanding - basic	48,845,839	22,472,394	14,985,160
Weighted average units outstanding	643,029	--	--
Weighted average common shares and units outstanding - basic	49,488,868	22,472,394	14,985,160
Shares issuable from assumed conversion of:			
Common stock options	418,813	--	--
Unvested restricted stock grants	239,228	--	--
Weighted average common shares and units outstanding - diluted	50,146,909	22,472,394	14,985,160

On a weighted average basis, at December 31, 1997 and 1996, respectively there were 2,713,822 and 2,571,068 shares of convertible Preferred Stock, 322,093 and 261,395 Common Stock options and 228,230 and 140,987 operating partnership units that were antidilutive. Therefore, for the years ended December 31, 1997 and 1996, there were effectively no dilutive common share equivalents outstanding.

Use of Estimates

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

Reclassifications

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

Newly Issued Accounting Standards

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

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

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This pronouncement establishes accounting and reporting standards requiring that every derivative instrument be recorded in 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. SFAS No. 133 is effective for fiscal years beginning after June 15, 1999 and cannot be applied retroactively. The Company currently plans to adopt this pronouncement effective January 1, 2000, and will determine both the method and impact of adoption prior to that date.

2. Merger between Bay and Avalon

In June 1998, the Company completed the Merger with Avalon. The Merger and related transactions were accounted for using the purchase method of accounting in accordance with GAAP. Accordingly, the assets and liabilities of Avalon were adjusted to fair value for financial accounting purposes and the results of operations of Avalon prior to June 4, 1998 are not included in the results of operations of the Company.

In connection with the Merger, the following related transactions occurred:

The Company issued .7683 of a share of Common Stock for each outstanding share of Avalon common stock;

The Company issued one share of Series F and G Preferred Stock for each outstanding share of Avalon Series A and B Preferred Stock, respectively.

The following unaudited pro forma information has been prepared as if the Merger and related transactions had occurred on January 1, 1997. The pro forma financial information is presented for informational purposes only and is not necessarily indicative of what actual results would have been nor does it purport to represent the results of operations for future periods had the Merger been consummated on January 1, 1997.

<TABLE>
<CAPTION>

	Year Ended (Unaudited) 12-31-98	12-31-97
<S>	<C>	<C>
Pro forma total revenue	$ 448,758	$ 297,510
Pro forma net income available to common stockholders	$ 82,389	$ 55,815
Per common share:		
Pro forma net income-basic	$ 1.29	$ 1.08
Pro forma net income-diluted	$ 1.28	$ 1.07

</TABLE>

3. Interest Capitalized

Capitalized interest associated with projects under development or redevelopment totaled $16,977, $6,985 and $2,567 for the years ended December 31, 1998, 1997 and 1996, respectively.

4. Notes Payable, Unsecured Senior Notes and Credit Facility

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

<TABLE>
<CAPTION>

	12-31-98	12-31-97
<S>	<C>	<C>
Fixed rate notes payable (conventional and tax-exempt)	$ 388,106	$ 263,284
Variable rate notes payable (tax-exempt)	57,265	--
Fixed rate unsecured senior notes	710,000	--
Total notes payable and unsecured senior notes	1,155,371	263,284
Variable rate unsecured credit facility	329,000	224,200
Total notes payable, unsecured senior notes and credit facility	$1,484,371	$ 487,484

</TABLE>

Fixed and variable rate notes payable are collateralized by certain apartment communities and mature at various dates from July 1999 through December 2036. The weighted average interest rate of variable rate notes (tax-exempt) was 4.8% at December 31, 1998. The weighted average interest rate of fixed rate notes (conventional and tax-exempt) was 6.7% and 6.4% at December 31, 1998 and 1997, respectively.

The Company's unsecured senior notes consist of the following:

<TABLE>
<CAPTION>

	Principal	Interest rate	Maturity date
<S>		<C>	<C>
	$100,000	7.375%	2002
	$ 50,000	6.25%	2003
	$100,000	6.5%	2003
	$100,000	6.625%	2005
	$ 50,000	6.5%	2005
	$150,000	6.8%	2006
	$110,000	6.875%	2007
	$ 50,000	6.625%	2008

</TABLE>

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

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

<TABLE>

<S>	<C>
1999	$ 4,489
2000	3,766
2001	14,838
2002	104,078
2003	159,050
Thereafter	869,150
Total notes payable	$ 1,155,371

</TABLE>

The Company has a $600,000 variable rate unsecured credit facility (the "Unsecured Facility") with Morgan Guaranty Trust Company of New York, Union Bank of Switzerland and Fleet National Bank, serving as co-agents for a syndicate of commercial banks. The Unsecured Facility bears interest at a spread over the London Interbank Offered Rate ("LIBOR") based on rating levels achieved on the Company's senior unsecured notes and on a maturity selected by the Company. The current pricing is LIBOR plus .6% per annum (6.2% at December 31, 1998). The Unsecured Facility, which was put into place during June 1998, replaced three separate credit facilities previously available to the separate companies prior to the Merger. The terms of the retired facilities were similar to the Unsecured Facility. In addition, the Unsecured Facility includes a competitive bid option for up to $400,000. The Company is subject to certain customary covenants under the Unsecured Facility, including, but not limited to, maintaining certain maximum leverage ratios, a minimum fixed charge coverage ratio, minimum unencumbered assets and equity levels and restrictions on paying dividends in amounts that exceed 95% of the Company's Funds from Operations, as defined therein. The Unsecured Facility matures in July 2001 and has two, one-year extension options.

5. Stockholders' Equity

As of December 31, 1997 the Company had authorized for issuance 40,000,000 and 25,000,000 shares of Common and Preferred Stock, respectively. In connection with the Merger, authorized Common and Preferred Stock was increased to 300,000,000 and 50,000,000 shares, respectively. In October 1998, the Company held a Special Meeting of Stockholders at which stockholders approved an amendment to the Company's charter reducing the number of authorized shares of the Company's Common Stock from 300,000,000 to 140,000,000.

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

<TABLE>
<CAPTION>

Series	Shares outstanding December 31, 1998	Payable quarterly	Annual rate	Liquidation preference	Non-redeemable prior to
C	2,300,000	March, June, September, December	8.50%	$25	June 20, 2002
D	3,267,700	March, June, September, December	8.00%	$25	December 15, 2002
F	4,455,000	February, May, August, November	9.00%	$25	February 15, 2001
G	4,300,000	February, May, August, November	8.96%	$25	October 15, 2001
H	4,000,000	March, June, September, December	8.70%	$25	October 15, 2008

</TABLE>

The Company also has 1,000,000 shares of Series E Junior Participating Cumulative Preferred Stock authorized for issuance pursuant to the Company's Shareholder Rights Agreement. As of December 31, 1998, there were no shares of Series E Preferred Stock outstanding.

During April 1998, the Company completed an offering of Common Stock totaling 1,244,147 shares. The net proceeds of approximately $44,000 were used to retire indebtedness under the Company's then-existing unsecured revolving credit facility. During 1997, the Company completed five offerings of Common Stock totaling 6,733,187 shares. The net proceeds of approximately $244,340 were used to retire indebtedness under the Company's then-existing unsecured revolving credit facility.

6. Investments in Unconsolidated Joint Ventures

In connection with the Merger, the Company succeeded to certain investments in unconsolidated joint ventures. At December 31, 1998, these investments consisted of a 50% general partnership interest in Falkland Partners, a 49% equity interest in Avalon Run and a 50% partnership interest in Avalon Grove.

The following is a combined summary of the financial position of these joint ventures as of the dates presented (which includes the period prior to the Merger):

	Unaudited 12-31-98	Unaudited 12-31-97
Assets:		
Real estate, net	$ 96,419	$ 97,964
Other assets	4,532	10,790
Total assets	$100,951	$108,754
Liabilities and partners' equity:		
Mortgage notes payable	$ 26,000	$ 26,000
Other liabilities	4,933	4,164
Partners' equity	70,018	78,590
Total liabilities and partners' equity	$100,951	$108,754

The following is a combined summary of the results of operations of these joint ventures for the periods presented (which includes the periods prior to the Merger):

	Year ended (Unaudited) 12-31-98	12-31-97	12-31-96
Summary of operations:			
Rental income	$ 19,799	$ 16,497	$ 10,238
Other income	26	44	58
Operating expenses	(5,591)	(5,020)	(4,238)
Mortgage interest expense	(833)	(893)	(849)
Depreciation and amortization	(3,044)	(1,869)	(1,779)
Net income	$ 10,357	$ 8,759	$ 3,430

7. Communities Held for Sale

During 1998, the Company completed a strategic planning effort resulting in a decision to pursue a disposition strategy for certain assets in markets that did not meet its long-term strategic direction. In connection with this decision, the Company's Board of Directors authorized Management to pursue the disposition of selected communities within specific markets. The Company will solicit competing bids from unrelated parties for these individual assets, and will consider the sales price and tax ramifications of each proposal. Management anticipates these assets will be sold during 1999. However, there can be no assurance that such assets can be sold on terms that are satisfactory to the Company. Several of the communities authorized for disposition were sold in 1998.

The communities sold in 1998 and the respective sales price and net proceeds are summarized below:

Communities	Location	Period disposed	Apartment homes	Debt	Gross sales price	Net proceeds
Arbor Park	Upland, CA	3Q98	260	$ --	$ 12,580	$ 12,540
Avalon Pointe	Stafford, VA	4Q98	140	6,380	9,450	2,920
Avalon Ridge	Silver Spring, MD	4Q98	432	26,815	35,210	7,700
Chase Lea	Owings Mill, MD	4Q98	296	16,835	21,840	4,500
Avalon at Carter Lake	Reston, VA	4Q98	259	--	16,800	16,560

Reflections	Fresno, CA	4Q98	516	--	22,420	21,980
Sommerset	Vacaville, CA	4Q98	136	--	7,900	7,700
			2,039	$ 50,030	$126,200	$ 73,900

</TABLE>

To facilitate the sale of Sommerset, the Company provided short-term financing to the purchaser for 80% of the gross sales price. Accordingly, $6,320 of the net proceeds will be received at maturity of this financing.

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 recognized no write down in its real estate to arrive at net realizable value. At December 31, 1998, total real estate, net of accumulated depreciation, subject to sale totaled $231,492. Certain individual assets are secured by mortgage indebtedness which may be assumed by the purchaser or repaid by the Company from the net sales proceeds.

The Company's consolidated statements of operations includes net income of the communities held for sale of $3,916, $1,633 and $1,301 for the years ended December 31, 1998, 1997 and 1996, respectively. Depreciation expense on these assets, which was not recognized subsequent to the date of held-for-sale classification, totaled $1,332.

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

8. Commitments and Contingencies

Employment Agreements

The Company entered into three year employment agreements with nine executives and a one year employment agreement with one executive, all of which became effective as of June 4, 1998, the date of the Merger. With the exception of the one year agreement, the employment agreements provide for one-year automatic renewal after the third year unless an advance notice of non-renewal is provided by either party. Upon a change in control, the agreements provide for an automatic extension of three years. The employment agreements provide for base salary and incentive compensation in the form of cash awards, stock options and stock grants subject to the discretion of, and attainment of performance goals established by, the Compensation Committee of the Board of Directors.

Each of the three year employment agreements also provides for base salary increases during the initial term in amounts determined by the Compensation Committee. During any renewal term base salary increases will be equal to the greater of 5% of the prior year's base salary, a factor based on increases in the consumer price index, or an amount determined at the discretion of the Compensation Committee. Certain of these employment agreements were terminated in accordance with the Company's announced organizational changes. See Footnote 13, Subsequent Events, for further information.

Presale Commitments

The Company occasionally enters into forward purchase commitments with unrelated third parties which allow the Company to purchase communities upon completion of construction. As of December 31, 1998, the Company has an agreement to purchase ten communities with an estimated 2,980 homes for an estimated aggregate purchase price of $386,500. The acquisition of one of these communities is expected to close in the third quarter of 1999, and the acquisition of the remaining communities are expected to close in 2000, 2001 and 2002. However, there can be no assurance that such acquisitions will be consummated or, if consummated on the schedule currently contemplated. As of December 31, 1998, the Company had provided interim construction financing of $67,129 for these communities.

Contingencies

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

9. Value of Financial Instruments

The Company has historically used interest rate swap agreements (the "Swap Agreements") to reduce the impact of interest rate fluctuations on its variable rate tax-exempt bonds. The Swap Agreements are held for purposes other than trading. The amortization of the cost of the Swap Agreements is included in amortization expense. The remaining unamortized cost of the Swap Agreements is included in prepaid expenses and other assets on the balance sheet and is amortized over the remaining life of the agreements. As of December 31, 1998, the effect of these Swap Agreements is to fix $202,283 of the Company's tax-exempt debt at an average interest rate of 6.1% with an average maturity of 8 years.

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

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

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

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

- - Cash equivalents, rents receivable, accounts payable and accrued expenses, and other liabilities are carried at their face amounts, which reasonably approximate their fair values.

- - The Company's unsecured credit facility with an aggregate carrying value of $329,000 and $224,200 at December 31, 1998 and 1997, respectively approximates fair value.

- - Bond indebtedness and notes payable with an aggregate carrying value of $1,155,371 and $263,284 had an estimated aggregate fair value of $1,137,411 and $291,293 at December 31, 1998 and 1997, respectively.

10. Segment Reporting

The Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," during 1998. SFAS No. 131 established standards for reporting financial and descriptive information about operating segments in annual financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision 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. Furthermore, each of these operating segments are measured within either the West Coast geographic area (consisting of the Northern California, Southern California and Pacific Northwest regions) or the East Coast geographic area (consisting of the Northeast, Mid-Atlantic and Midwest regions):

- - Stable Communities are communities that 1) have attained stabilized occupancy levels (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 subsequent to 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 that were under active development during any portion of the preceding calendar year that attained stabilized occupancy and expense levels during the current calendar year of presentation. The primary financial measure for this business segment is Operating Yield (defined as NOI divided by total capitalized costs). Performance of Developed Communities is based on comparing Operating Yields against projected yields as determined by Management prior to undertaking the development activity.

- - Redeveloped Communities are communities that were under active redevelopment during any portion of the preceding calendar year that attained stabilized occupancy and expense levels during the current calendar year of presentation. The primary financial measure for this business segment is Operating Yield. Performance for Redeveloped Communities is based on comparing Operating Yields against projected yields as estimated by Management prior to undertaking the redevelopment activity.

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

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

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>

	Year ended				
	12/31/98				
	Stable Communities	Developed Communities	Redeveloped Communities	Other	Total
<S>	<C>	<C>	<C>	<C>	<C>
WEST COAST SEGMENTS					
Total revenue	$ 77,924	$ 5,454	$ 24,107	$ 91,795	$ 199,280
Net Operating Income	$ 57,551	$ 4,165	$ 16,949	$ 59,131	$ 137,796
Previous gross real estate	$ 491,859	$ --	$ 17,797	$ 860,427	$ 1,370,083
Current year expenditures and acquisitions	2,903	55	2,430	350,782	356,170
Transfers	10,946	29,452	159,648	(200,046)	--
Sales	(26,947)	--	--	--	(26,947)
Current gross real estate	$ 478,761	$ 29,507	$ 179,875	$ 1,011,163	$ 1,699,306
Operating Yield (1)	12.0%	14.1%	9.4%		
EAST COAST SEGMENTS					
Total revenue	$ 136,156	$ --	$ --	$ 16,037	$

	Stable Communities	Developed Communities	Redeveloped Communities	Other	Total
					152,193
Net Operating Income	$ 92,689	$ --	$ --	$ 10,647	$ 103,336
Previous gross real estate	$ --	$ --	$ --	$ --	$ --
Current year expenditures and acquisitions	1,950,918	--	--	279,988	2,230,906
Transfers	--	--	--	--	--
Sales	--	--	--	--	--
Current gross real estate	$ 1,950,918	$ --	$ --	$ 279,988	$ 2,230,906
Operating Yield (2)	10.2%	--	--		
TOTAL, ALL SEGMENTS					
Total revenue	$ 214,080	$ 5,454	$ 24,107	$ 107,832	$ 351,473
Net Operating Income	$ 150,240	$ 4,165	$ 16,949	$ 69,778	$ 241,132
Previous gross real estate	$ 491,859	$ --	$ 17,797	$ 860,427	$ 1,370,083
Current year expenditures and acquisitions	1,953,821	55	2,430	630,770	2,587,076
Transfers	10,946	29,452	159,648	(200,046)	--
Sales	(26,947)	--	--	--	(26,947)
Current gross real estate	$ 2,429,679	$ 29,507	$ 179,875	$ 1,291,151	$ 3,930,212
Operating Yield (2)	10.6%	14.1%	9.4%		
NON-ALLOCATED OPERATIONS					
Total revenue	$ --	$ --	$ --	$ 1,411	$ 1,411
Net Operating Income	$ --	$ --	$ --	$ 1,238	$ 1,238
Gross real estate	$ --	$ --	$ --	$ 112,469	$ 112,469
TOTAL, AVALONBAY					
Total revenue	$ 214,080	$ 5,454	$ 24,107	$ 109,243	$ 352,884
Net Operating Income	$ 150,240	$ 4,165	$ 16,949	$ 71,016	$ 242,370
Gross real estate	$ 2,429,679	$ 29,507	$ 179,875	$ 1,403,620	$ 4,042,681

</TABLE>
<TABLE>
<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>
	Year ended 12/31/97				
	Stable Communities	Developed Communities	Redeveloped Communities	Other	Total
WEST COAST SEGMENTS					

Total revenue	$ 75,547	$ --	$ 2,926	$ 47,749	$ 126,222
Net Operating Income	$ 54,155	$ --	$ 2,210	$ 31,797	$ 88,162
Previous gross real estate	$ 416,233	$ 72,723	$ --	$ 258,934	$ 747,890
Current year expenditures and acquisitions	2,903	--	23	619,267	622,193
Transfers	72,723	(72,723)	17,774	(17,774)	--
Sales	--	--	--	--	--
Current gross real estate	$ 491,859	$ --	$ 17,797	$ 860,427	$ 1,370,083
Operating Yield (1)	11.0%	--	12.4%		
EAST COAST SEGMENTS					
Total revenue	$ --	$ --	$ --	$ --	$ --
Net Operating Income	$ --	$ --	$ --	$ --	$ --
Previous gross real estate	$ --	$ --	$ --	$ --	$ --
Current year expenditures and acquisitions	--	--	--	--	--
Transfers	--	--	--	--	--
Sales	--	--	--	--	--
Current gross real estate	$ --	$ --	$ --	$ --	$ --
Operating Yield (2)	--	--	--		
TOTAL, ALL SEGMENTS					
Total revenue	$ 75,547	$ --	$ 2,926	$ 47,749	$ 126,222
Net Operating Income	$ 54,155	$ --	$ 2,210	$ 31,797	$ 88,162
Previous gross real estate	$ 416,233	$ 72,723	$ --	$ 258,934	$ 747,890
Current year expenditures and acquisitions	2,903	--	23	619,267	622,193
Transfers	72,723	(72,723)	17,774	(17,774)	--
Sales	--	--	--	--	--
Current gross real estate	$ 491,859	$ --	$ 17,797	$ 860,427	$ 1,370,083
Operating Yield (2)	11.0%	--	12.4%		
NON-ALLOCATED OPERATIONS					
Total revenue	$ --	$ --	$ --	$ 184	$ 184
Net Operating Income	$ --	$ --	$ --	$ 184	$ 184
Gross real estate	$ --	$ --	$ --	$ 3,432	$ 3,432

TOTAL, AVALONBAY

Total revenue	$ 75,547	$ --	$ 2,926	$ 47,933	$ 126,406
Net Operating Income	$ 54,155	$ --	$ 2,210	$ 31,981	$ 88,346
Gross real estate	$ 491,859	$ --	$ 17,797	$ 863,859	$ 1,373,515

</TABLE>
<TABLE>
<CAPTION>

	Year ended 12/31/96				
	Stable Communities	Developed Communities	Redeveloped Communities	Other	Total
<S>	<C>	<C>	<C>	<C>	<C>
WEST COAST SEGMENTS					
Total revenue	$ 57,717	$ 9,836	$ --	$ 15,280	$ 82,833
Net Operating Income	$ 39,638	$ 7,791	$ --	$ 9,964	$ 57,393
Previous gross real estate	$ 386,614	$ --	$ --	$ 110,477	$ 497,091
Current year expenditures and acquisitions	29,619	353	--	220,827	250,799
Transfers	--	72,370	--	(72,370)	--
Sales	--	--	--	--	--
Current gross real estate	$ 416,233	$ 72,723	$ --	$ 258,934	$ 747,890
Operating Yield (1)	9.9%	10.7%	--		
EAST COAST SEGMENTS					
Total revenue	$ --	$ --	$ --	$ --	$ --
Net Operating Income	$ --	$ --	$ --	$ --	$ --
Previous gross real estate	$ --	$ --	$ --	$ --	$ --
Current year expenditures and acquisitions	--	--	--	--	--
Transfers	--	--	--	--	--
Sales	--	--	--	--	--
Current gross real estate	$ --	$ --	$ --	$ --	$ --
Operating Yield (2)	--	--	--		
TOTAL, ALL SEGMENTS					
Total revenue	$ 57,717	$ 9,836	$ --	$ 15,280	$ 82,833
Net Operating Income	$ 39,638	$ 7,791	$ --	$ 9,964	$ 57,393
Previous gross real estate	$ 386,614	$ --	$ --	$ 110,477	$ 497,091
Current year expenditures and acquisitions	29,619	353	--	220,827	250,799
Transfers	--	72,370	--	(72,370)	--
Sales	--	--	--	--	--
Current gross real estate	$ 416,233	$ 72,723	$ --	$ 258,934	$ 747,890
Operating Yield (2)	9.9%	10.7%	--		
NON-ALLOCATED OPERATIONS					
Total revenue	$ --	$ --	$ --	$ 5	$ 5
Net Operating Income	$ --	$ --	$ --	$ 5	$ 5
Gross real estate	$ --	$ --	$ --	$ 2,457	$ 2,457
TOTAL, AVALONBAY					
Total revenue	$ 57,717	$ 9,836	$ --	$ 15,285	$ 82,838
Net Operating Income	$ 39,638	$ 7,791	$ --	$ 9,969	$ 57,398
Gross real estate	$ 416,233	$ 72,723	$ --	$ 261,391	$ 750,347

</TABLE>

(1) Operating Yield calculations are based on annualized NOI for acquisitions during respective years.

(2) Operating Yield calculations are based on a) annualized NOI for mid-year acquisitions and b) adjusted gross real estate to exclude step-up adjustments recorded in connection with the Merger.

Operating expenses as reflected on the Consolidated Statement of Operations include $15,244, $3,913 and $2,332 for the years ended December 31, 1998, 1997 and 1996, respectively, of property management overhead costs that are not allocated to individual communities. These costs are not reflected in Net Operating Income as shown in the above tables. Communities held for sale as reflected on the Consolidated Balance Sheets is net of $8,687 of accumulated depreciation as of December 31, 1998.

In June 1998, the Company completed the Merger with Avalon. The Merger and related transactions were accounted for using the purchase method of accounting in accordance with GAAP. Accordingly, the results of operations of the Avalon communities prior to June 4, 1998 are not included in the results of operations of the Company. Avalon communities are included in Established Communities for Management's decision making purposes although the results of operations prior to the Merger are not included in the Company's historical operating results determined in accordance with GAAP. For comparative purposes, the 1998, 1997 and 1996 operating information for East Coast segments are presented on the following page on a pro forma basis (unaudited) assuming the Merger had occurred as of January 1, 1996.

<TABLE>
<CAPTION>

<S>	Stable Communities <C>	Developed Communities <C>	Redeveloped Communities <C>	Other <C>	Total <C>
FOR THE YEAR ENDED 12-31-98					
Total revenue	$ 173,738	$ 41,406	$ --	$ 31,944	$ 247,088
Net Operating Income	$ 114,997	$ 31,736	$ --	$ 21,250	$ 167,983
Previous gross real estate	$ 1,043,662	$ 67,119	$ --	$ 402,515	$ 1,513,296
Current year expenditures, acquisitions and step-up adjustments	561,331	21,363	--	178,640	761,334
Transfers	67,119	196,193	--	(263,312)	--
Sales	(43,725)	--	--	--	(43,725)
Current gross real estate	$ 1,628,387	$ 284,675	$ --	$ 317,843	$ 2,230,905
Operating Yield (1)	9.7%	11.4%	--		
FOR THE YEAR ENDED 12-31-97					
Total revenue	$ 129,149	$ 10,661	$ --	$ 30,102	$ 169,912
Net Operating Income	$ 86,005	$ 7,482	$ --	$ 26,704	$ 120,191
Previous gross real estate	$ 723,863	$ 12,294	$ --	$ 342,283	$ 1,078,440
Current year expenditures, acquisitions and step-up adjustments	324,837	1,005	--	126,346	452,188
Transfers	12,294	53,820	--	(66,114)	--
Sales	(17,332)	--	--	--	(17,332)
Current gross real estate	$ 1,043,662	$ 67,119	$ --	$ 402,515	$ 1,513,296
Operating Yield (1)	10.2%	11.1%	--		
FOR THE YEAR ENDED 12-31-96					
Total revenue	$ 105,723	$ 2,104	$ --	$ 15,793	$ 123,620
Net Operating Income	$ 69,995	$ 1,488	$ --	$ 10,584	$ 82,067
Previous gross real estate	$ 590,682	$ 38,097	$ --	$ 152,276	$ 781,055
Current year expenditures, acquisitions and step-up adjustments	110,559	277	--	202,024	312,860
Transfers	38,097	(26,080)	--	(12,017)	--
Sales	(15,475)	--	--	--	(15,475)
Current gross real estate	$ 723,863	$ 12,294	$ --	$ 342,283	$ 1,078,440

Operating Yield (1)	10.6%	12.1%	--

</TABLE>

(1) Operating Yield calculations are based on a) annualized NOI for acquisitions during respective years and b) adjusted gross real estate in 1998 to exclude step-up adjustments recorded in connection with the Merger.

11. Stock-Based Compensation Plans

The Company has adopted the 1994 Stock Incentive Plan (the "Plan") as amended and restated on April 13, 1998 and subsequently amended on July 24, 1998, for the purpose of encouraging and enabling the Company's officers, associates and directors to acquire a proprietary interest in the Company. Individuals who are eligible to participate in the Plan include officers, other associates, outside directors and other key persons of the Company and its subsidiaries who are responsible for or contribute to the management, growth or profitability of the Company and its subsidiaries. The Plan authorizes (i) the grant of stock options that qualify as incentive stock options under Section 422 of the Code, (ii) the grant of stock options that do not so qualify, (iii) grants of shares of

restricted and unrestricted Common Stock, (iv) grants of deferred stock awards, (v) performance share awards entitling the recipient to acquire shares of Common Stock and (vi) dividend equivalent rights.

Under the Plan, a maximum of 2,500,000 shares of Common Stock, plus 9.9% of any net increase in the total number of shares of Common Stock actually outstanding from time to time after April 13, 1998, may be issued. Notwithstanding the foregoing, the maximum number of shares of stock for which Incentive Stock Options may be issued under the Plan shall not exceed 2,500,000 and no awards shall be granted under the Plan after April 13, 2008. For purposes of this limitation shares of Common Stock which are forfeited, canceled, reacquired by the Company, satisfied without the issuance of Common Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Common Stock available for issuance under the Plan. Stock Options with respect to no more than 300,000 shares of stock may be granted to any one individual participant during any one calendar year period. Options granted to officers and employees under the Plan vest over periods determined by the Compensation Committee of the Board of Directors and expire ten years from the date of grant. Options granted to non-employee directors under the Plan are subject to accelerated vesting under certain limited circumstances and become exercisable on the first anniversary of the date of grant and expire ten years from the date of grant. Restricted stock granted to officers and employees under the Plan generally has a vesting period of at least three years, as determined by the Compensation Committee of the Board of Directors. Restricted stock granted to non-employee directors vests 20% on the date of issuance and 20% on each of the first four anniversaries of the date of issuance.

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

<TABLE>
<CAPTION>

	Shares	Weighted Average Exercise Price Per Share
<S>	<C>	<C>
Options outstanding, December 31, 1995	563,750	$ 19.66
Exercised	(37,475)	19.86
Granted	229,100	26.23
Forfeited	(32,500)	20.43
Options outstanding, December 31, 1996	722,875	$ 21.70
Exercised	(26,251)	21.13
Granted	394,100	36.35
Forfeited	(20,350)	26.43
Options outstanding, December 31, 1997	1,070,374	$ 27.02
Exercised	(164,924)	21.71
Granted	1,225,132	36.81
Forfeited	(244,500)	35.25
Options outstanding, December 31, 1998	1,886,082	$ 32.74
Options exercisable:		
December 31, 1996	189,426	$ 19.76
December 31, 1997	343,974	$ 20.91
December 31, 1998	656,925	$ 27.26

==========   =========

</TABLE>

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

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding as of December 31, 1998	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$ 18.38	60,000	6.25	$ 18.38	45,000	$ 18.38
19.25	9,000	6.36	19.25	9,000	19.25
19.63	46,000	6.55	19.63	37,750	19.63
20.00	112,450	5.19	20.00	112,450	20.00
20.00	100,000	6.86	20.00	75,000	20.00
20.50	9,000	5.27	20.50	9,000	20.50
23.38	40,000	7.07	23.38	20,000	23.38
25.38	20,000	7.33	25.38	20,000	25.38
25.38	25,000	7.47	25.38	12,500	25.38
27.75	80,000	7.66	27.75	65,000	27.75
33.75	16,000	9.97	33.75	--	--
34.38	40,000	8.38	34.38	40,000	34.38
36.13	12,500	8.29	36.13	12,500	36.13
36.13	90,000	9.45	36.13	--	--
36.31	53,800	9.43	36.31	--	--
36.31	361,500	9.43	36.31	--	--
36.31	127,500	9.43	36.31	--	--
36.31	15,000	9.43	36.31	--	--
36.63	223,100	8.07	36.63	181,850	36.63
36.63	37,000	9.56	36.63	--	--
37.00	140,000	9.19	37.00	--	--
37.94	210,000	9.08	37.94	10,000	37.94
38.81	20,000	8.84	38.81	5,000	38.81
39.63	7,500	8.73	39.63	1,875	39.63
39.83	30,732	9.42	39.83	--	--
	1,886,082	8.41	$ 32.74	656,925	$ 27.26

</TABLE>

Options to purchase 4,488,189, 348,400 and 786,125 shares of Common Stock were available for grant under the Plan at December 31, 1998, 1997 and 1996, respectively.

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

Under the 1995 Incentive Plan, a maximum number of 3,315,054 shares of common stock were issuable, plus any shares of common stock represented by awards under Avalon's 1993 Stock Option and Incentive Plan (the "1993 Plan") that were forfeited, canceled, reacquired by Avalon, satisfied without the issuance of common stock or otherwise terminated (other than by exercise). Options granted to officers, non-employee directors and associates under the 1995 Incentive Plan generally vested over a three-year term, expired ten years from the date of grant and were exercisable at the market price on the date of grant.

The 1995 Incentive Plan was not terminated as a result of the Merger, but options are no longer being granted under the 1995 Incentive Plan. In connection with the Merger, the exercise prices of options under the 1995 Incentive Plan were adjusted to reflect the conversion ratio of Avalon common stock into Bay Common Stock. Officers, non-employee directors and associates with 1995 Incentive Plan options may exercise their options for the Company's Common Stock at the revalued exercise price.

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

<TABLE>
<CAPTION>

Weighted

	Shares	Average Exercise Price Per Share
<S>	<C>	<C>
Options outstanding, June 4, 1998	2,127,446	$ 34.00
Exercised	(34,177)	26.84
Granted	--	--
Forfeited	(41,015)	38.00
Options outstanding, December 31, 1998	2,052,254	$ 34.05
Options exercisable:		
December 31, 1998	1,014,530	$ 30.26

</TABLE>

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

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding as of December 31, 1998	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$ 26.19	23,049	6.37	$ 26.19	23,049	$ 26.19
26.68	573,598	4.86	26.68	573,598	26.68
26.68	11,524	4.86	26.68	11,524	26.68
27.33	35,407	6.35	27.33	35,407	27.33
27.33	2,305	7.04	27.33	1,537	27.33
27.33	1,152	8.96	27.33	384	27.33
28.15	26,330	7.48	28.15	17,554	28.15
28.31	23,049	7.37	28.31	23,049	28.31
30.10	6,915	5.37	30.10	6,915	30.10
30.26	7,683	7.69	30.26	5,122	30.26
34.98	9,604	7.96	34.98	6,403	34.98
35.31	30,732	8.36	35.31	30,732	35.31
36.12	1,921	9.19	36.12	--	--
36.44	1,921	8.68	36.44	640	36.44
36.61	64,665	9.41	36.61	--	--
36.69	1,921	9.32	36.69	--	--
37.10	1,921	8.73	37.10	640	37.10
37.18	5,762	9.37	37.18	--	--
37.26	384	9.27	37.26	--	--
37.58	355,000	9.19	37.58	--	--
37.66	45,714	8.87	37.66	15,223	37.66
38.15	782,898	8.83	38.15	260,705	38.15
38.72	768	8.86	38.72	256	38.72
39.29	3,457	8.96	39.29	1,152	39.29
39.70	1,921	8.80	39.70	640	39.70
39.86	32,653	9.01	39.86	--	--
	2,052,254	7.65	$ 34.05	1,014,530	$ 30.26

</TABLE>

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

<TABLE>
<CAPTION>

	Pro Forma		
	Year ended 12-31-98	Year ended 12-31-97	Year ended 12-31-96

Income before extraordinary items	$ 67,043	$ 30,541	$ 15,548
Net income available to common stockholders	$ 67,043	$ 30,541	$ 15,037
Income before extraordinary items per common share - basic	$ 1.35	$ 1.36	$ 1.04
Income before extraordinary items per common share - diluted	$ 1.34	$ 1.36	$ 1.04
Net income per share - basic	$ 1.35	$ 1.36	$ 1.00
Net income per share - diluted	$ 1.34	$ 1.36	$ 1.00

The fair value of the options granted during 1998 is estimated at $3.67 per share on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 5.96%, volatility of 16.77%, risk free interest rates of 5.55%, actual forfeitures, and an expected life of approximately 4 years. The fair value of the options granted during 1997 is estimated at $5.48 per share on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 4.44%, volatility of 18.30%, risk free interest rates of 6.34%, actual forfeitures, and an expected life of approximately 4 years. The fair value of the options granted during 1996 is estimated at $3.17 per share on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 6.50%, volatility of 20.18%, risk free interest rates of 6.17%, actual forfeitures, and an expected life of approximately 4 years.

The Company has adopted the 1996 Non-Qualified Employee Stock Purchase Plan, as amended and restated (the "1996 ESP Plan"). The primary purpose of the 1996 ESP Plan is to encourage Common Stock ownership by eligible directors and associates (the "Participants") in the belief that such ownership will increase each Participant's interest in the success of the Company. The 1996 ESP Plan provides for two purchase periods per year. A purchase period is a six month period beginning each January 1 and July 1 and ending each June 30 and December 31, respectively. Participants may contribute portions of their compensation during a purchase period and purchase Common Stock at the end thereof. One million shares of Common Stock are reserved for issuance under the 1996 ESP Plan. Participation in the 1996 ESP Plan entitles each Participant to purchase Common Stock at a price which is equal to the lesser of 85% of the closing price for a share of stock on the first day of such purchase period or 85% of the closing price on the last day of such purchase period. The Company issued 23,396 and 13,863 shares under the 1996 ESP Plan as of December 31, 1998 and 1997, respectively. No shares were issued under the 1996 ESP Plan as of December 31, 1996.

12. Quarterly Financial Information (Unaudited)

The following summary represents the quarterly results of operations for the years ended December 31, 1998 and 1997:

	Three months ended			
1998	March 31	June 30	September 30	December 31
Total revenue	$ 45,330	$ 69,948	$ 118,064	$ 119,542
Net income available to common stockholders	$ 8,950	$ 13,748	$ 23,771	$ 22,091
Net income per common share - basic	$ 0.34	$ 0.35	$ 0.37	$ 0.34
Net income per common share - diluted	$ 0.34	$ 0.34	$ 0.37	$ 0.34

	Three months ended			
1997	March 31	June 30	September 30	December 31

<S>	<C>	<C>	<C>	<C>
Total revenue	$ 26,283	$ 29,874	$ 32,860	$ 37,389
Net income available to common stockholders	$ 6,625	$ 7,184	$ 8,257	$ 9,396
Net income per common share - basic	$ 0.33	$ 0.33	$ 0.36	$ 0.37
Net income per common share - diluted	$ 0.33	$ 0.33	$ 0.36	$ 0.37

</TABLE>

The sum of the quarterly net income per common share, basic and diluted, for 1998 and 1997, and the net income available to common stockholders for 1997 are not equal to the full year amounts primarily because the computations for each quarter and the full year are made independently.

13. Subsequent Events (Unaudited)

In January 1999, the Company issued $125,000 of medium-term notes. Interest on the notes is payable semi-annually on February 15 and August 15; and the notes will mature on February 15, 2004. The notes bear interest at 6.58%. The net proceeds of approximately $124,300 to the Company were used to repay amounts outstanding under the Company's Unsecured Facility.

In February 1999, the Company announced certain management changes. The Company expects to record a non-recurring charge in the first quarter of 1999 relating to this management realignment including severance costs and certain related organizational adjustments. Because a complete plan of management realignment was not in existence on June 4, 1998, the date of the Company's merger with Avalon, this charge is not considered a part of the Company's purchase price for Avalon and, accordingly, the expenses associated with the management realignment will be treated as a non-recurring charge. Management and the terminated officers are currently determining the amount of severance that each terminated officer is entitled to receive pursuant to their employment agreements and the valuations, if any, that must be performed pursuant to the terms of their employment agreements. Management is also completing an evaluation of the additional charge related to the other organizational changes. However, management currently estimates that the non-recurring charge that will be incurred in connection with these organizational adjustments, including severance payments and contract termination costs, costs to relocate accounting functions and office space reductions, will be approximately $16 million. No assurance can be given as to the amount of such non-recurring charge which could be greater or less than the estimate provided.

SCHEDULE III
AVALONBAY COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 1998
(Dollars in thousands)

<TABLE>
<CAPTION>

	Initial Cost			Total Cost		
	Land	Building/ Construction in Progress & Improvements	Costs Subsequent to Acquisition/ Construction	Land	Building/ Construction in Progress & Improvements	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Current Communities						
Waterford	6,785	27,567	8,071	8,116	34,307	42,423
Hampton Place	7,427	29,313	(338)	7,427	28,975	36,402
Hacienda Gardens	6,991	27,197	1,144	6,991	28,341	35,332
Amador Oaks	6,848	16,361	1,860	6,848	18,221	25,069
Willow Creek	2,098	9,901	6,187	3,131	15,055	18,186
Alicante	2,540	13,458	100	2,542	13,556	16,098
Barrington Hills	3,046	12,451	301	3,046	12,752	15,798
Parc Centre	2,716	8,696	3,200	2,716	11,896	14,612
Rivershore	3,152	10,147	1,245	3,152	11,392	14,544
Governor's Square	7,053	17,645	2,127	7,053	19,772	26,825
The Pointe	3,058	15,006	603	3,057	15,610	

						18,667
Blairmore	1,983	7,589	1,150	1,983	8,739	10,722
Crown Ridge	3,494	21,376	5,580	3,494	26,956	30,450
Sunset Towers	3,561	20,796	3,550	3,561	24,346	27,907
City Heights	2,389	13,393	1,317	2,389	14,710	17,099
Village Square	3,827	8,925	444	3,827	9,369	13,196
Crossbrook	3,280	9,691	(503)	3,280	9,188	12,468
Cedar Ridge	4,230	9,658	11,566	4,230	21,224	25,454
Regatta Bay	4,182	16,305	3,993	4,182	20,298	24,480
Sea Ridge	2,942	14,652	220	2,942	14,872	17,814
Toscana	20,713	98,939	-	20,713	98,939	119,652
Avalon at Town Center	8,913	27,789	745	8,913	28,534	37,447
Canyon Creek	6,096	29,583	254	6,096	29,837	35,933
CountryBrook	10,967	17,838	4,717	11,027	22,495	33,522
The Arbors	3,414	15,463	11,747	3,414	27,210	30,624
Creekside	4,685	24,266	766	4,685	25,032	29,717
Rosewalk at Waterford Park I	3,267	26,181	60	3,267	26,241	29,508
The Fountains	9,026	18,864	1,424	9,026	20,288	29,314
Parkside Commons	10,684	14,826	223	10,684	15,049	25,733
Villa Mariposa	4,518	12,695	4,574	5,288	16,499	21,787
San Marino	2,415	12,743	4,876	3,068	16,966	20,034
The Promenade	5,372	12,845	1,036	5,372	13,881	19,253
Foxchase I & II	7,019	19,104	4,135	7,609	22,649	30,258
Glen Creek	1,671	7,784	613	1,738	8,330	10,068
Fairway Glen	2,159	6,492	848	2,209	7,290	9,499
Viewpointe	23,828	40,360	4,002	23,828	44,362	68,190
Lakeside	22,483	27,773	4,102	22,483	31,875	54,358
Westwood Club	13,753	18,356	3,356	13,753	21,712	35,465
Arbor Heights	2,984	17,916	4,723	2,984	22,639	25,623
Warner Oaks	7,045	13,022	2,311	7,045	15,333	22,378
TimberWood	1,210	8,571	4,932	1,210	13,503	14,713
SunScape	6,663	21,338	8,965	6,663	30,303	36,966
Pacifica Club	12,248	14,559	1,127	12,248	15,686	27,934
Mill Creek	4,165	13,339	3,943	4,165	17,282	21,447
Villa Serena	5,228	12,489	2,081	5,228	14,570	19,798
Amberway	10,285	7,263	1,186	10,285	8,449	18,734
Laguna Brisas	662	16,734	1,218	662	17,952	18,614
Lafayette Place	4,402	3,057	8,026	4,424	11,061	15,485

</TABLE>

<TABLE>
<CAPTION>

Current Communities	Accumulated Depreciation	Total Cost, Net of Accumulated Depreceiation	Encumbrances	Year of Completion/ Acquisition

- -------------------

<S>	<C>	<C>	<C>	<C>
Waterford	11,604	30,819	33,100	1985/86
Hampton Place	7,464	28,938	-	1992
Hacienda Gardens	5,393	29,939	-	1988/94
Amador Oaks	1,186	23,883	-	1989/97
Willow Creek	4,104	14,082	-	1985
Alicante	3,598	12,500	-	1992
Barrington Hills	2,505	13,293	13,020	1986/94
Parc Centre	1,110	13,502	-	1973/96
Rivershore	1,700	12,844	10,162	1986/95
Governor's Square	765	26,060	14,064	1976/97
The Pointe	1,847	16,820	-	1991/95
Blairmore	1,496	9,226	-	1986/94
Crown Ridge	2,179	28,271	-	1973/96
Sunset Towers	2,268	25,639	-	1961/96
City Heights	1,757	15,342	20,496	1990/95
Village Square	1,686	11,510	-	1972/94
Crossbrook	1,735	10,733	8,382	1986/94
Cedar Ridge	474	24,980	1,000	1975/97
Regatta Bay	3,537	20,943	-	1973/94
Sea Ridge	1,920	15,894	17,261	1971/95
Toscana	2,405	117,247	-	1998/96
Avalon at Town Center	3,916	33,531	-	1995
Canyon Creek	3,909	32,024	38,052	1995
CountryBrook	2,091	31,431	19,568	1985/96
The Arbors	872	29,752	12,870	1966/97
Creekside	1,140	28,577	-	1962/97
Rosewalk at Waterford Park I	2,084	27,424	-	1997/96
The Fountains	1,987	27,327	-	1990/96
Parkside Commons	1,658	24,075	-	1991/96
Villa Mariposa	4,961	16,826	18,300	1986
San Marino	3,086	16,948	-	1984/88
The Promenade	1,739	17,514	-	1987/95
Foxchase I & II	4,324	25,934	26,400	1986/87
Glen Creek	2,378	7,690	-	1989
Fairway Glen	1,253	8,246	9,580	1986
Viewpointe	1,537	66,653	-	1989/97
Lakeside	1,602	52,756	-	1969/97
Westwood Club	759	34,706	-	1966/97
Arbor Heights	945	24,678	-	1970/97
Warner Oaks	492	21,886	-	1978/98
TimberWood	694	14,019	-	1972/97
SunScape	1,656	35,310	-	1972/97
Pacifica Club	609	27,325	-	1971/97
Mill Creek	1,500	19,947	-	1973/96
Villa Serena	960	18,838	-	1990/97
Amberway	309	18,425	-	1983/98
Laguna Brisas	578	18,036	10,400	1988/98
Lafayette Place	479	15,006	-	1956/96

</TABLE>

AVALONBAY COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 1998
(Dollars in thousands)

<TABLE>
<CAPTION>

	Initial Cost			Total Cost		
	Land	Building/ Construction in Progress & Improvements	Costs Subsequent to Acquisition/ Construction	Land	Building/ Construction in Progress & Improvements	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Larkspur Canyon	2,889	7,227	2,621	2,889	9,848	12,737
Mission Bay Club	14,179	29,632	2,028	14,179	31,660	45,839
Cabrillo Square	2,768	20,133	802	2,768	20,935	23,703
Mission Woods	2,710	10,849	7,650	2,710	18,499	21,209
SummerWalk	2,976	7,805	1,941	2,976	9,746	12,722
Waterhouse Place	2,109	13,498	2,839	2,109	16,337	

						18,446
The Verandas at Bear Creek	6,786	27,541	164	6,786	27,705	34,491
Gallery Place	4,558	17,209	3,520	4,558	20,729	25,287
Avalon Ridge	3,808	21,326	1,665	3,808	22,991	26,799
Avalon Westhaven	2,316	6,697	2,527	2,316	9,224	11,540
Avalon at Prudential Center	25,811	104,417	357	25,811	104,774	130,585
Longwood Towers	9,979	40,414	1,126	9,979	41,540	51,519
Avalon at Center Place	1,699	33,997	11	1,699	34,008	35,707
Avalon Summit	4,262	17,415	47	4,262	17,462	21,724
Avalon at Lexington	3,860	15,736	54	3,860	15,790	19,650
Avalon at Faxon Park	1,136	13,494	-	1,136	13,494	14,630
Avalon West	2,823	11,471	-	2,823	11,471	14,294
Avalon Walk I & II	15,822	64,435	79	15,822	64,514	80,336
Avalon Glen	9,077	36,664	115	9,077	36,779	45,856
Avalon Gates	7,371	30,465	16	7,371	30,481	37,852
Hanover Hall	7,510	30,041	119	7,510	30,160	37,670
Avalon Springs	3,280	13,652	2	3,280	13,654	16,934
Avalon Pavilions	16,612	67,845	310	16,612	68,155	84,767
Avalon Commons	6,816	28,046	10	6,816	28,056	34,872
Avalon Towers	4,184	16,898	371	4,184	17,269	21,453
Avalon Court	3,703	15,194	10	3,703	15,204	18,907
Avalon Cove	18,645	75,394	22	18,645	75,416	94,061
Avalon Watch	11,305	45,990	38	11,305	46,028	57,333
Avalon Chase	6,151	25,146	41	6,151	25,187	31,338
Avalon Run East	4,231	17,235	-	4,231	17,235	21,466
Avalon Gardens	8,428	45,006	-	8,428	45,006	53,434
Avalon View	5,230	21,350	45	5,230	21,395	26,625
Avalon Green	3,261	13,199	55	3,261	13,254	16,515
Avalon at Fairway Hills I & II	12,024	49,177	98	12,024	49,275	61,299
Avalon at Symphony Glen	2,468	10,131	158	2,468	10,289	12,757
Avalon Landing	2,414	9,895	75	2,414	9,970	12,384
Avalon Birches	3,501	14,474	41	3,501	14,515	18,016
Avalon at Hampton I & II	4,495	18,607	32	4,495	18,639	23,134
Avalon Pines	2,244	9,237	2	2,244	9,239	11,483
Avalon at Ballston - Vermont & Quincy Towers	12,227	49,588	37	12,227	49,625	61,852
Avalon Crescent	11,862	48,465	-	11,862	48,465	60,327
Avalon at Park Center	9,192	37,508	25	9,192	37,533	46,725
Avalon at Ballston - Washington Towers	8,511	34,559	38	8,511	34,597	43,108
Avalon at Cameron Court	10,275	32,502	-	10,275	32,502	42,777
AutumnWoods	7,983	32,563	1	7,983	32,564	40,547
Avalon Park	4,964	20,415	117	4,964	20,532	25,496
Avalon at Fair Lakes	4,334	18,891	-	4,334	18,891	23,225

</TABLE>

<TABLE>
<CAPTION>

	Accumulated Depreciation	Total Cost, Net of Accumulated Depreceiation	Encumbrances	Year of Completion/ Acquisition
Larkspur Canyon	845	11,892	7,530	1984/96
Mission Bay Club	1,248	44,591	-	1969/97
Cabrillo Square	667	23,036	-	1973/98
Mission Woods	766	20,443	-	1960/97
SummerWalk	713	12,009	-	1982/97
Waterhouse Place	547	17,899	-	1990/97
The Verandas at Bear Creek	521	33,970	-	1998
Gallery Place	902	24,385	11,486	1991/97
Avalon Ridge	520	26,279	-	1998
Avalon Westhaven	360	11,180	-	1989/97
Avalon at Prudential Center	1,659	128,926	-	1998
Longwood Towers	834	50,685	-	1993
Avalon at Center Place	582	35,125	-	1997
Avalon Summit	364	21,360	-	1996
Avalon at Lexington	328	19,322	14,843	1994
Avalon at Faxon Park	317	14,313	-	1998
Avalon West	235	14,059	8,681	1996
Avalon Walk I & II	1,334	79,002	12,762	1993/94
Avalon Glen	744	45,112	-	1993/95
Avalon Gates	626	37,226	-	1997
Hanover Hall	-	37,670	-	1998
Avalon Springs	275	16,659	-	1997
Avalon Pavilions	1,424	83,343	-	1993
Avalon Commons	569	34,303	-	1997
Avalon Towers	343	21,110	-	1995
Avalon Court	311	18,596	-	1997
Avalon Cove	1,514	92,547	-	1997
Avalon Watch	946	56,387	-	1993
Avalon Chase	526	30,812	-	1996
Avalon Run East	350	21,116	-	1996
Avalon Gardens	930	52,504	-	1998
Avalon View	446	26,179	19,085	1993
Avalon Green	268	16,247	-	1995
Avalon at Fairway Hills I & II	1,028	60,271	11,500	1993/96
Avalon at Symphony Glen	214	12,543	9,780	1993
Avalon Landing	211	12,173	6,809	1995
Avalon Birches	315	17,701	-	1995
Avalon at Hampton I & II	403	22,731	19,610	1993
Avalon Pines	197	11,286	5,329	1996
Avalon at Ballston - Vermont & Quincy Towers	1,012	60,840	-	1997
Avalon Crescent	782	59,545	-	1997
Avalon at Park Center	778	45,947	-	1994
Avalon at Ballston - Washington Towers	707	42,401	-	1993
Avalon at Cameron Court	640	42,137	-	1998
AutumnWoods	675	39,872	-	1996
Avalon Park	437	25,059	-	1993
Avalon at Fair Lakes	417	22,808	-	1998

</TABLE>

AVALONBAY COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 1998
(Dollars in thousands)

<TABLE>
<CAPTION>

	Initial Cost			Total Cost		
	Land	Building/ Construction in Progress & Improvements	Costs Subsequent to Acquisition/ Construction	Land	Building/ Construction in Progress & Improvements	Total
Avalon at Dulles	3,673	15,048	-	3,673	15,048	18,721
Avalon at Providence Park	2,886	11,755	39	2,886	11,794	14,680

Avalon at Gayton	3,766	15,555	44	3,766	15,599	19,365
Avalon at Boulders	3,261	13,468	105	3,261	13,573	16,834
Avalon Station	2,483	10,267	9	2,483	10,276	12,759
Avalon Woods	2,130	8,923	78	2,130	9,001	11,131
Avalon at Decoverly	8,130	33,072	16	8,130	33,088	41,218
Avalon Knoll	4,590	18,811	9	4,590	18,820	23,410
Avalon Fields I & II	5,165	22,028	-	5,165	22,028	27,193
Avalon Crossing	3,628	14,709	-	3,628	14,709	18,337
Avalon at Lake Arbor	2,782	11,444	49	2,782	11,493	14,275
4100 Massachusetts Avenue	9,146	37,047	107	9,146	37,154	46,300
Avalon at Danada Farms	9,902	40,053	5	9,902	40,058	49,960
Avalon at West Grove	6,689	27,632	6	6,689	27,638	34,327
Avalon at Stratford Green	5,680	23,006	12	5,680	23,018	28,698
Avalon at Montgomery	4,061	16,645	15	4,061	16,660	20,721
Avalon Heights	3,981	16,842	1	3,981	16,843	20,824
Avalon at Willow Lake	3,966	16,208	7	3,966	16,215	20,181
Avalon at Geist	3,185	12,957	6	3,185	12,963	16,148
Avalon at Devonshire	9,554	38,964	5	9,554	38,969	48,523
The Gates of Edinburg	4,654	19,205	3	4,654	19,208	23,862
Avalon at Town Centre	4,628	18,996	10	4,628	19,006	23,634
Avalon at Town Square	2,793	11,413	6	2,793	11,419	14,212
Avalon at Oxford Hill	7,503	31,908	27	7,503	31,935	39,438
	738,502	2,687,705	167,575	743,079	2,850,703	3,593,782
Development Communities						
Avalon Towers by the Bay	-	37,139	-	-	37,139	37,139
CentreMark	7,988	40,453	-	7,988	40,453	48,441
Paseo Alameda	-	39,120	-	-	39,120	39,120
Rosewalk at Waterford Park II	-	18,201	-	-	18,201	18,201
Avalon Oaks	-	15,029	-	-	15,029	15,029
Avalon Valley	-	12,024	-	-	12,024	12,024
Avalon Corners	-	11,756	-	-	11,756	11,756
Avalon Lake	-	9,274	-	-	9,274	9,274
Avalon Court North	-	11,315	-	-	11,315	11,315
The Tower at Avalon Cove	-	33,146	-	-	33,146	33,146
Avalon Willow	-	27,003	-	-	27,003	27,003
The Avalon	-	12,885	-	-	12,885	12,885
Avalon Crest	-	38,233	-	-	38,233	38,233
Avalon at Fox Mill	-	4,838	-	-	4,838	4,838
	-	-	-	-	-	-
	7,988	310,416	-	7,988	310,416	

						318,404
Corporate	3,295	6,332	120,868	3,296	127,199	130,495
	749,785	3,004,453	288,443	754,363	3,288,318	4,042,681

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	Accumulated Depreciation	Total Cost, Net of Accumulated Depreceiation	Encumbrances	Year of Completion/ Acquisition
<S>	<C>	<C>	<C>	<C>
Avalon at Dulles	316	18,405	12,360	1993
Avalon at Providence Park	242	14,438	-	1997
Avalon at Gayton	336	19,029	-	1993
Avalon at Boulders	292	16,542	-	1996
Avalon Station	222	12,537	-	1994
Avalon Woods	203	10,928	-	1994
Avalon at Decoverly	680	40,538	-	1995
Avalon Knoll	396	23,014	13,755	1993
Avalon Fields I & II	454	26,739	11,881	1996
Avalon Crossing	299	18,038	-	1996
Avalon at Lake Arbor	243	14,032	-	1995
4100 Massachusetts Avenue	754	45,546	-	1994
Avalon at Danada Farms	809	49,151	-	1997
Avalon at West Grove	572	33,755	-	1997
Avalon at Stratford Green	468	28,230	-	1997
Avalon at Montgomery	350	20,371	-	1997
Avalon Heights	339	20,485	-	1997
Avalon at Willow Lake	338	19,843	-	1997
Avalon at Geist	267	15,881	-	1997
Avalon at Devonshire	807	47,716	27,305	1997
The Gates of Edinburg	391	23,471	-	1998
Avalon at Town Centre	392	23,242	-	1998
Avalon at Town Square	238	13,974	-	1998
Avalon at Oxford Hill	664	38,774	-	1998
	148,153	3,445,629	445,371	
Development Communities				
Avalon Towers by the Bay	-	37,139	-	
CentreMark	169	48,272	-	
Paseo Alameda	-	39,120	-	
Rosewalk at Waterford Park II	-	18,201	-	
Avalon Oaks	-	15,029	-	
Avalon Valley	-	12,024	-	
Avalon Corners	-	11,756	-	
Avalon Lake	-	9,274	-	
Avalon Court North	-	11,315	-	
The Tower at Avalon Cove	-	33,146	-	
Avalon Willow	-	27,003	-	
The Avalon	-	12,885	-	
Avalon Crest	-	38,233	-	
Avalon at Fox Mill	-	4,838	-	
	-	-	-	
	169	318,235	-	
Corporate	3,500	126,995	-	
	151,822	3,890,859	445,371	

</TABLE>

AVALONBAY COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 1998
(Dollars in thousands)

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

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

The aggregate cost of total real estate for Federal income tax purposes was approximately $2.9 billion at December 31, 1998.

The changes in total real estate assets for the years ended December 31, 1998, 1997 and 1996 are as follows:

	Years ended December 31,		
	1998	1997	1996
Balance, beginning of period	$ 1,373,515	$ 750,347	$ 498,210
Acquisitions, Construction Costs and Improvements	2,826,711	623,168	252,137
Dispositions	(157,545)	-	-
Balance, end of period	$ 4,042,681	$ 1,373,515	$ 750,347

The changes in accumulated depreciation for the years ended December 31, 1998, 1997 and 1996 are as follows:

	Years ended December 31,		
	1998	1997	1996
Balance, beginning of period	$ 79,031	$ 52,554	$ 34,552
Depreciation for period	78,134	26,477	18,002
Dispositions	(5,343)	-	-
Balance, end of period	$ 151,822	$ 79,031	$ 52,554

EXHIBIT 3(ii).2

AMENDMENT TO BYLAWS

On February 10, 1999, at a duly called and held meeting of the Board of Directors of AvalonBay Communities, Inc. (the "Company ') the Board adopted the following amendment to the Company's Bylaws:

To delete from ARTICLE I, Section 1.02, the first sentence in its entirety and to insert the following in lieu thereof:

"An annual meeting of the Stockholders for the election of directors of the Corporation ("Directors") and the transaction of such other business as may be properly brought before the meeting shall be held on the second Wednesday of May of each year, or on such other date which is not more than fifteen days prior to or after such second Wednesday of May, and at such time as shall be fixed by the Board of Directors."

EXHIBIT 10.39

In October, 1998, the Company entered into the attached indemnity agreement with each of the then current directors of the Company.

INDEMNITY AGREEMENT

AGREEMENT, as of October __, 1998 (the "Agreement"), between AvalonBay Communities, Inc., a Maryland corporation (the "Company") and _____________ (the "Indemnitee").

WHEREAS, it is essential to the success of the Company to retain and attract as directors and officers the most capable persons available;

WHEREAS, Indemnitee has agreed to serve as a director of the Company;

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies in today's environment;

WHEREAS, the Bylaws (the "Bylaws") and the Articles of Incorporation (the 'Articles") of the Company require the Company to indemnify and advance expenses to its directors and officers to the fullest extent provided by law, and the Indemnitee has agreed to serve as a director of the Company in part in reliance on such provisions in the Bylaws and Articles;

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner and Indemnitee's reliance on the foregoing provisions in the Bylaws and Articles, and in part to provide Indemnitee with specific contractual protections in addition to those protections promised Indemnitee in the Bylaws and Articles and with specific contractual assurance that the protection promised by such provisions in the Bylaws and Articles will be available to Indemnitee (regardless of, among other things, any amendment to or revocation of such provisions in the Bylaws or Articles or any change in the composition of the Company's Board of Directors or any acquisition transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the fullest extent permitted by law, in addition to any other right to indemnification to which Indemnitee may be entitled, and as set forth in this Agreement and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies;

WHEREAS, each of the directors of the Company, including the Indemnitee, has one or more previous agreements entitled "Indemnification Agreement" or "Indemnity Agreement" with the Company or its predecessor Avalon Properties, Inc. (the "Prior Agreements"); and

WHEREAS, the Company desires to replace and supersede the different forms of Prior Agreements with a new form of agreement for all of the directors of the Company.

NOW THEREFORE, in consideration of the premises and of the Indemnitee agreeing to continue to serve as a director of the Company, and intending to be legally bound hereby, the parties agree as follows:

1. Certain Definitions.

(a) Change in Control. Change in control shall be deemed to have occurred upon any of the following events:

(i) The acquisition in one or more transactions by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) of "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of twenty percent (20%) or more of the combined voting power of the Company's then outstanding voting securities (the "Voting Securities"), provided, however, that for purposes of this Section 1(a)(i), the Voting Securities acquired directly from the Company by any Person shall be excluded from the determination of such Person's Beneficial Ownership of voting securities (but such Voting Securities shall be included in the calculation of the total number of Voting Securities then outstanding); or

(ii) The individuals who, as of the date hereof, are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the Board; provided, however, that if the election, or nomination for election by the Company's shareholders, of any new director is hereafter approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; or

(iii) Approval by shareholders of the Company of (A) a merger or consolidation involving the Company if the shareholders of the Company immediately before such merger or consolidation do not own, directly or indirectly immediately following such merger or consolidation, more than eighty percent (80%) of the combined voting power of the outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the Voting Securities immediately before such merger or consolidation or (B) a complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

(iv) Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because twenty percent (20%) or more of the then outstanding Voting Securities is acquired by (i) a trustee or other fiduciary holding securities under one or more employee benefit plans maintained by the Company or any of its subsidiaries or (ii) any corporation which, immediately prior to such acquisition, is owned directly or indirectly by the shareholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition. Nor shall a Change in Control be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of 20%

or more of the outstanding Voting Securities as a result of the subsequent acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

(b) Claim. Any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation, whether threatened, commenced or conducted by the Company or any other party, that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether civil, criminal, administrative, investigative or other.

(c) Expenses. Expenses consist of attorneys' fees and all other costs, charges and expenses paid or incurred in connection with investigating, defending, settling, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any Claim relating to any Indemnifiable Event.

(d) Indemnifiable Event. Any event or occurrence related to the fact that Indemnitee is, was or has agreed to become a director, officer, employee, agent or fiduciary of the Company, or is, is deemed to be, or was serving or has agreed to serve in any capacity, at the request of the Company, in any other corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or by reason of anything done or not done by Indemnitee in any such capacity. For the purposes of the preceding sentence, the term "Company" shall be deemed to include Avalon Properties, Inc., a Maryland corporation which was merged into the Company on June 4, 1998.

(e) Potential Change in Control. A potential change in control shall be deemed to have occurred if (i) the Company enters into an agreement or arrangement, the consummation of which would result in the occurrence of a Change in Control; (ii) any person (including the Company) publicly announces an intention to take or to begins taking actions which if completed would constitute a Change in Control; or (iii) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(f) Voting Securities. Any securities of the Company which vote generally in the election of directors.

2. Indemnification; Expenses; Procedure.

(a) Basic Indemnification Agreement. In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee (without regard to the negligence or other fault of the Indemnitee) to the fullest extent permitted by applicable law, as soon as practicable but in no event later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties, excise taxes and amounts paid or to be paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties, excise taxes or amounts paid or to be paid in settlement) of or in connection with such Claim, provided, however, that the Company shall not be required to indemnify Indemnitee for amounts paid or to be paid in settlement unless such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld, or subsequently deemed reasonable by the Company, a court of appropriate jurisdiction, or an independent legal counsel chosen and approved by both the Company and Indemnitee. The Company's obligation to indemnify Indemnitee under this paragraph shall be deemed mandatory in all cases without regard to the fault or negligence of Indemnitee unless it is determined, by final adjudication, that the liability imposed upon Indemnitee was the result of Indemnitee's actual improper receipt of a personal benefit or profit or of Indemnitee's active and deliberate dishonesty to the Company. The Company shall indemnify Indemnitee's spouse (whether by statute or at common law and without regard to the location of the governing jurisdiction) and children to the same extent and subject to the same limitations applicable to Indemnitee hereunder for claims arising out of the status of such person as a spouse or child of Indemnitee, including claims seeking damages from marital property (including community property) or property held by such Indemnitee and such spouse or child or property transferred to such spouse or child but such indemnity shall not otherwise extend to protect the spouse or child against liabilities caused by the spouse's or child's own acts. If Indemnitee makes a request to be indemnified under this Agreement (which request need not be made prior to the incurrence of any Indemnifiable Expenses), the Board of Directors (acting by majority vote of a quorum consisting of directors who are not parties to the Claim with respect to the Indemnifiable Event or by majority vote of a committee of two or more directors who are duly designated to act on the matter by the full Board, or, if such a quorum is not obtainable and no such committee has been designated, acting upon an opinion in writing of special independent legal counsel selected by majority vote of the full Board of Directors ("Board Action")) shall, as soon as practicable but in no event later than thirty days after such request, authorize such indemnification. Notwithstanding anything in the Company's Restated Articles of Incorporation, as amended from time to time, (the "Articles"), the Company's Bylaws, as amended from time to time, (the "Bylaws") or this Agreement to the contrary, following a Change in Control Indemnitee shall, unless prohibited by law, be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee.

(b) Advancement of Expenses. Notwithstanding anything in the Articles, the Bylaws or this Agreement to the contrary, if so requested by Indemnitee, the Company shall advance (within ten business days of such request) any and all Expenses relating to a

Claim to Indemnitee (an "Expense Advance"), upon the receipt of a written undertaking by or on behalf of Indemnitee (and without regard to any determination of Indemnitee's financial ability to repay such Expense Advance) to repay such Expense Advance if a judgment or other final adjudication adverse to Indemnitee establishes that Indemnitee, with respect to such Claim, is not eligible for indemnification.

(c) Notice to Insurers. If, at the time of the receipt of a notice of a Claim pursuant to Section 2(c) hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(d) Selection of Counsel. In the event the Company shall be obligated under Section 2(b) hereof to pay the Expenses of any proceeding against Indemnitee, the Company, unless the Indemnitee determines that a conflict of interest exists between the Indemnitee and the Company with respect to a particular Claim, shall be entitled to assume the defense of such proceeding, with counsel approved by Indemnitee, which approval shall not be unreasonably withheld, upon the delivery to Indemnitee of written notice of its election to do so and of written notice that it is so obligated. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will be not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same proceeding, provided that (i) Indemnitee shall have the right to employ his own separate counsel in any such proceeding in addition to or in place of any counsel retained by the Company on behalf of Indemnitee at Indemnitee's expense; and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense or (C) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

(e) Litigation Concerning Right to Indemnification. If there has been no Board Action or Arbitration (as defined in Section 3), or if Board Action determines that Indemnitee would not be permitted to be indemnified, in any respect, in whole or in part, in accordance with Section 2(a) of this Agreement, Indemnitee shall have the right to commence litigation in the court which is hearing the action or proceeding relating to the Claim for which indemnification is sought or in any court having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any Board Action or any aspect thereof, and the Company hereby consents to service of process and to appear in any such proceeding. Notwithstanding anything in the Articles, the Bylaws or this Agreement to the contrary, if Indemnitee has commenced legal proceedings in a court of competent jurisdiction or Arbitration to secure a determination that Indemnitee should be indemnified under this Agreement, the Articles, the Bylaws or applicable law, any Board

Action that Indemnitee would not be permitted to be indemnified in accordance with Section 2(a) of this Agreement shall not be binding in the event that such legal proceedings are finally adjudicated. Any Board Action not followed by such litigation or Arbitration shall be conclusive and binding on the Company and Indemnitee.

3. Change in Control. The Company agrees that if there is a Change in Control, Indemnitee, by giving written notice to the Company and the American Arbitration Association (the "Notice"), may require that any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration (the "Arbitration") in San Jose, California or, at the election of the Indemnitee, Alexandria, Virginia, in accordance with the Rules of the American Arbitration Association (the "Rules"). The Arbitration shall be conducted by a panel of three arbitrators selected in accordance with the Rules within thirty days of delivery of the Notice. The decision of the panel shall be made as soon as practicable after the panel has been selected, and the parties agree to use their reasonable efforts to cause the panel to deliver its decision within ninety days of its selection. The Company shall pay all fees and expenses of the Arbitration. The Arbitration shall be conclusive and binding on the Company and Indemnitee, and the Company or Indemnitee may cause judgment upon the award rendered by the arbitrators to be entered in any court having jurisdiction thereof.

4. Establishment of Trust. In the event of a Potential Change in Control or a Change in Control, the Company shall, promptly upon written request by Indemnitee, create a Trust for the benefit of Indemnitee and from time to time, upon written request by or on behalf of Indemnitee to the Company, shall fund such Trust in an amount, as set forth in such request, sufficient to satisfy any and all Expenses reasonably anticipated at the time of each such request to be incurred in connection with investigating, preparing for and defending any Claim relating to an Indemnifiable Event, and any and all judgments, fines, penalties and settlement amounts of any and all Claims relating to an Indemnifiable Event from time to time actually paid or claimed, reasonably anticipated or proposed to be paid. The terms of the Trust shall provide that upon a Change in Control (i) the Trust shall not be revoked or the principal thereof invaded, without the written consent of Indemnitee; (ii) the Trustee shall advance, within ten business days of a request by Indemnitee, any and all Expenses to Indemnitee, not advanced directly by the Company to Indemnitee (and Indemnitee hereby agrees to reimburse the Trust under the circumstances under which Indemnitee would be required to reimburse the Company under Section 2(b) of this Agreement); (iii) the Trust shall continue to be funded by the Company in accordance with the funding obligation set forth above; (iv) the Trustee shall promptly pay to Indemnitee all amounts for which Indemnitee shall be entitled to indemnification pursuant to this Agreement or otherwise; and (v) all unexpended funds in such Trust shall revert to the Company upon a final determination by Board Action or Arbitration or a court of competent jurisdiction, as the case may be, that Indemnitee has been fully indemnified under the terms of this Agreement. The Trustee shall be an independent third party chosen by Indemnitee. Nothing in this Section 4 shall relieve the Company of any of its obligations under this Agreement.

5. Indemnification for Additional Expenses. The Company shall indemnify Indemnitee against any and all expenses (including without limitation attorneys' fees, subject to Section 20 hereof) and, if requested by Indemnitee, shall (within ten business days of such request) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any claim asserted by or action brought by Indemnitee for (i) indemnification or advance payment of Expenses by the Company under law, the Articles, the Bylaws, this Agreement, or any other agreement now or hereafter in effect relating to Claims for Indemnifiable Events and/or (ii) recovery under any directors' and officers'

liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

6. Partial Indemnity, Etc. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties, excise taxes and amounts paid or to be paid in settlement of a Claim but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including, without limitation, dismissal without prejudice, Indemnitee shall be presumed to be entitled to indemnification against any and all Expenses, judgments, fines, penalties, excise taxes and amounts paid or to be paid in settlement of such Claim or Claims in connection with any determination made or to be made by Board Action, Arbitration or a court of competent jurisdiction whether and to what extent Indemnitee is entitled to be indemnified hereunder, and the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

7. No Presumption. For purposes of this Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contenders, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law or this Agreement.

8. Contribution. In the event that the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any Claim relating to an Indemnifiable Event, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such action by Board Action or Arbitration or by the court before which such action was brought in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such action; and/or (ii) the relative fault of the Company (and its other directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s). Indemnitee's right to contribution under this Section 8

shall be determined in accordance with, pursuant to and in the same manner as, the provisions in Sections 2 and 3 hereof relating to Indemnitee's right to indemnification under this Agreement.

9. Notice/Cooperation by Indemnitee. Indemnitee shall, as a condition precedent to Indemnitee's right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any Claim made against Indemnitee for which indemnification will or could be sought under this Agreement. Such notice shall contain the written affirmation of the Indemnitee that the standard of conduct necessary for indemnification hereunder has been satisfied. Notice to the Company shall be directed to the Secretary of the Company in the manner provided in Section 19 hereof. Indemnitee shall give the Company such information and cooperation with respect to such Claim as it may reasonably require and as shall be within Indemnitee's power. A delay or defect in the notice under this Section 9 shall not invalidate the Indemnitee's right to indemnity under this Agreement unless, and only to the extent that, such delay or defect materially prejudices the defense of the Claim or the availability to the Company of insurance coverage for such Claim. Failure to give notice under this Section shall not be a defense if the Company has actual notice of the Indemnitee's claim for indemnification.

10. Non-exclusivity, Etc. The rights of the Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Articles or Bylaws or applicable law, and nothing herein shall be deemed to diminish or otherwise restrict Indemnitee's right to indemnification under any such other provision. To the extent applicable law or the Articles or the Bylaws of Company, as in effect on the date hereof or at any time in the future, permit greater indemnification than as provided for in this Agreement, the parties hereto agree that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such law or provision of the Articles or Bylaws and this Agreement shall be deemed amended without any further action by the Company or Indemnitee to grant such greater benefits. Indemnitee may elect to have Indemnitee's rights hereunder interpreted on the basis of applicable law in affect at the time of execution of this Agreement, at the time of the occurrence of the Indemnifiable Event giving rise to a claim or at the time indemnification is sought.

11. Liability Insurance.

(a) To the extent the Company maintains at any time an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any other Company director or officer under such insurance policy. The purchase and maintenance of such insurance shall not in any way limit or affect the rights and obligations of the parties hereto, and the execution and delivery of this Agreement shall not in any way be construed to limit or affect the rights and obligations of the Company and/or of the other parties under any such insurance policy.

(b) For seven years after the Indemnitee no longer serves as a director or officer of the Company, the Company (or its successor or successors) shall continue to provide directors' and officers' liability insurance for events occurring during his service with the Company on terms no less favorable in terms of coverage and amount than such insurance maintained by the Company at the date of the Indemnitee's separation from the Company. In the event such coverage is not available, the maximum available coverage shall be maintained pursuant to this covenant.

12. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or on behalf of the Company or any affiliate of the Company against Indemnitee, Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company or its affiliate shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

13. Amendments Etc. Except as provided in Section 10 hereof, no supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

14. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery with respect to such payment of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

15. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, Bylaw or otherwise) of the amounts otherwise Indemnifiable hereunder.

16. Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable against and by the parties hereto and their respective successors, assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company), spouses, heirs and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place, but the absence of any such

writing shall not be a defense to any claim for indemnity made hereunder. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director and/or officer of the Company or of any other enterprise at the Company's request.

17. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law.

18. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement to indemnify the Indemnitee in the following circumstances:

(a) Insured Claims. The Company shall not be obligated to indemnify Indemnitee for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) to the extent that Indemnitee has otherwise actually received payment, or payments have been made on behalf of Indemnitee, with respect to such expense or liability (under any insurance policy, provision of the Company's Articles or Bylaws, or otherwise) of amounts otherwise Indemnifiable hereunder; or

(b) Claims Under Section 16(b). The Company shall not be obligated to indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

19. Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered by hand or when mailed by certified registered mail, return receipt requested, with postage prepaid:

(a) If to Indemnitee, to:

[FILL IN NAME AND ADDRESS]

or to such other person or address which Indemnitee shall furnish to the Company in writing pursuant to the above.

(b) If to the Company, to:

AvalonBay Communities, Inc.
4340 Stevens Creek Boulevard, Suite 275
San Jose, California 95129
ATTN: Secretary

or to such person or address as the Company shall furnish to Indemnitee in writing pursuant to the above.

20. Attorneys' Fees. In the event that any action is instituted by Indemnitee under this Agreement to enforce or interpret any of the terms hereof, Indemnitee shall be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by Indemnitee with respect to such action, unless as a part of such action, a court of competent jurisdiction determines that each of the material assertions made by Indemnitee as a basis for such action were not made in good faith or were frivolous. In the event of an action instituted by or in the name of the Company under this Agreement or to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all court costs and expenses, including attorneys' fees, incurred by Indemnitee in defense of such action (including with respect to Indemnitee's counterclaims and cross-claims made in such action), unless as a part of such action the court determines that each of Indemnitee's material defenses to such action were made in bad faith or were frivolous.

21. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Maryland, which laws are applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

22. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original and all of which together shall constitute a single agreement.

23. Prior Agreements. This Agreement replaces and supersedes any Prior Agreements to which the Indemnitee is a party.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date first set forth above.

AVALONBAY COMMUNITIES, INC.

By:

Name:
Title:

INDEMNITEE

EXHIBIT 12.1

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

<TABLE>
<CAPTION>

	Year Ended December 31, 1998	Year Ended December 31, 1997	Year Ended December 31, 1996	Year Ended December 31, 1995	March 17- December 31 1994	January 1- March 16, 1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Operating Income	$ 94,434	$ 38,941	$ 19,626	$ 11,460	$ 7,486	$ (716)
(Less) Nonrecurring item:						
Gain on sale	$ (3,970)	$ -	$ -	$ (2,412)	-	$ -
(Plus) Extraordinary item:						
Unamortized loan fee write-off	$ -	$ -	$ 511	$ -	$ -	$ -
(Plus) Fixed charges:						
Interest expense	$ 54,003	$ 14,113	$ 14,276	$ 11,472	$ 4,782	$ 2,358
Interest capitalized	16,977	6,985	2,567	3,641	2,096	-
Debt cost amortization	670	505	667	1,278	241	80
Preferred dividend	25,874	7,480	4,264	917	-	-
Total fixed charges (1)	$ 97,524	$ 29,083	$ 21,774	$ 17,308	$ 7,119	$ 2,438
(Less):						
Interest capitalized	$ 16,977	$ 6,985	$ 2,567	$ 3,641	$ 2,096	$ -
Preferred dividend	25,874	7,480	4,264	917	-	-
Adjusted earnings (2)	$ 145,137	$ 53,559	$ 35,080	$ 21,798	$ 12,509	$ 1,722
Ratio (2 divided by 1)	1.49	1.84	1.61	1.26	1.76	0.71

</TABLE>

AVALONBAY COMMUNITIES, INC.
RATIOS OF EARNINGS TO FIXED CHARGES

<TABLE>
<CAPTION>

	Year Ended December 31, 1998	Year Ended December 31, 1997	Year Ended December 31, 1996	Year Ended December 31, 1995	March 17- December 31 1994	January 1- March 16, 1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Operating Income	$ 94,434	$ 38,941	$ 19,626	$ 11,460	$ 7,486	$ (716)
(Less) Nonrecurring item:						
Gain on sale	$ (3,970)	$ -	$ -	$ (2,412)	$ -	$ -

(Plus) Extraordinary item:						
Unamortized loan fee write-off	$ -	$ -	$ 511	$ -	$ -	$ -
(Plus) Fixed charges:						
Interest expense	$ 54,003	$ 14,113	$ 14,276	$ 11,472	$ 4,782	$ 2,358
Interest capitalized	16,977	6,985	2,567	3,641	2,096	-
Debt cost amortization	670	505	667	1,278	241	80
	---------	---------	---------	---------	---------	---------
Total fixed charges (1)	$ 71,650	$ 21,603	$ 17,510	$ 16,391	$ 7,119	$ 2,438
(Less):						
Interest capitalized	$ 16,977	$ 6,985	$ 2,567	$ 3,641	$ 2,096	$ -
Adjusted earnings (2)	$ 145,137	$ 53,559	$ 35,080	$ 21,798	$ 12,509	$ 1,722
	---------	---------	---------	---------	---------	---------
Ratio (2 divided by 1)	2.03	2.48	2.00	1.33	1.76	0.71
	=========	=========	=========	=========	=========	=========

</TABLE>

SCHEDULE OF SUBSIDIARIES OF AVALONBAY COMMUNITIES, INC.

Bay Asset Group, Inc.
Bay Waterford, Inc.
Bay Development Partners, Inc.
Bay GP, Inc.
Avalon Town Green II, Inc.
Avalon Chase Glen, Inc.
Avalon Chase Grove, Inc.
Avalon Chase Hampton II, Inc.
Avalon Chase Heritage, Inc.
Avalon Town Meadows, Inc.
Lexington Ridge-Avalon, Inc.
Avalon Town View, Inc.
Avalon Development Services, Inc.
Avalon 4100 Mass. Avenue, Inc.
Town Cove Jersey City Urban Renewal, Inc.
Town Cove II Jersey City Urban Renewal, Inc.
Avalon Transactions, Inc.
Avalon Decoverly, Inc.
Avalon Collateral, Inc.
Avalon Lake Arbor, Inc.
Avalon Fairway II, Inc.
Avalon Commons, Inc.
Avalon Ballston II, Inc.
Avalon DownREIT V, Inc.
Avalon Oaks, Inc.
Avalon BFG, Inc.
Avalon Bay Fairlane, Inc.
Avalon Bay Services I, Inc.
Avalon Bay Services II, Inc.
AvalonBay Arna Valley, Inc.
AvalonBay Redevelopment, Inc.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8 (File No. 333-56089), Form S-8 (File No. 333-16837), Form S-3 (File No. 333-16647), Form S-3 (File No. 333-15407), Form S-3 (File No. 333-60875) and Form S-3 (File No. 333-62855).

/s/ ARTHUR ANDERSEN LLP

Washington, D.C.
March 29, 1999

EXHIBIT 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of AvalonBay Communities, Inc. (formerly Bay Apartment Communities, Inc.) on Form S-8 (File No. 333-16837), Form S-8 (File No. 333-56089), Form S-3 (File No. 333-16647), Form S-3 (File No. 333-15407), Form S-3 (File No. 333-62855) and Form S-3 (File No.333-60875) of our report dated January 30, 1998, on our audits of the consolidated financial statements of AvalonBay Communities, Inc. as of December 31, 1997, and for the years ended December 31, 1997 and 1996, which report is included in this Annual Report on Form 10-K.

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

San Francisco, California
March 29, 1999

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