

PROSPECTUS SUPPLEMENT
(TO PROSPECTUS DATED OCTOBER 30, 1997)

3,000,000 SHARES

[LOGO] BAY APARTMENT COMMUNITIES, INC.

8.00% SERIES D CUMULATIVE REDEEMABLE PREFERRED STOCK
(LIQUIDATION PREFERENCE \$25.00 PER SHARE)

Dividends on the 8.00% Series D Cumulative Redeemable Preferred Stock, par value \$.01 per share (the "Series D Preferred Stock"), of Bay Apartment Communities, Inc. (the "Company") are cumulative from the date of original issuance and are payable quarterly, commencing March 15, 1998, at the rate of 8.00% per annum of the \$25.00 liquidation preference (equivalent to a fixed annual rate of \$2.00 per share). See "Description of Preferred Stock--Series D Preferred Stock--Dividends."

Except in certain circumstances relating to the Company's qualification as a real estate investment trust (a "REIT"), the Series D Preferred Stock is not redeemable prior to December 15, 2002. On and after December 15, 2002, the Series D Preferred Stock may be redeemed for cash at the option of the Company, in whole or in part, at a redemption price of \$25.00 per share, plus accrued and unpaid dividends, if any, thereon to the redemption date. The redemption price (other than the portion thereof consisting of accrued and unpaid dividends) shall be payable solely out of the sale proceeds of other capital stock of the Company, which may include other series of the Company's preferred stock, par value \$.01 per share ("Preferred Stock"), and from no other source. The Series D Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption and will not be convertible into any other securities of the Company. See "Description of Preferred Stock--Series D Preferred Stock--Redemption." In order to ensure that the Company remains a qualified REIT for federal income tax purposes, shares of Series D Preferred Stock may be exchanged for shares of Excess Stock (as defined in the accompanying Prospectus) if a holder owns more than 9.0% of the Series D Preferred Stock, and the Company will have the right to purchase Excess Stock from the holder. See "Restrictions on Transfers of Capital Stock" in the accompanying Prospectus.

Application has been made to list the Series D Preferred Stock on the New York Stock Exchange (the "NYSE") and the Pacific Exchange (the "PCX"). If approved, trading of the Series D Preferred Stock on the NYSE and the PCX is expected to commence within a 30-day period after the initial delivery of the Series D Preferred Stock. See "Underwriting."

SEE "RISK FACTORS" COMMENCING ON PAGE S-5 FOR A DISCUSSION OF CERTAIN RISK FACTORS RELEVANT TO AN INVESTMENT IN THE SERIES D PREFERRED STOCK.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS TO WHICH IT RELATES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>
<CAPTION>

	Price to Public(1)	Underwriting Discounts and Commissions (2)	Proceeds to Company (3)
<S>	<C>	<C>	<C>
Per Share.....	\$25.00	\$0.7875	\$24.2125
Total.....	\$75,000,000	\$2,362,500	\$72,637,500
Total Assuming Full Exercise of Over-Allotment Option(4).....	\$86,250,000	\$2,716,875	\$83,533,125

</TABLE>

(1) Plus accrued dividends, if any, from the date of original issuance.

Company's 8.50% Series C Cumulative Redeemable Preferred Stock, par value \$.01 per share ("Series C Preferred Stock"), which represent the only capital stock of the Company currently outstanding. See "Description of Preferred Stock -- Series A Convertible Preferred Stock and Series B Convertible Preferred Stock," "-- Series C Preferred Stock," and "-- Series D Preferred Stock."

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SERIES D PREFERRED STOCK. SUCH TRANSACTIONS MAY INCLUDE THE PURCHASE OF THE SERIES D PREFERRED STOCK TO STABILIZE ITS MARKET PRICE AND THE PURCHASE OF THE SERIES D PREFERRED STOCK TO COVER SHORT POSITIONS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

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USE OF PROCEEDS..... The net proceeds from the sale of the Series D Preferred Stock will be used to reduce borrowings under the Company's \$350 million unsecured line of credit from Union Bank of Switzerland and other participating banks (the "Unsecured Credit Facility"). See "Use of Proceeds."

DIVIDENDS..... Dividends on the Series D Preferred Stock are cumulative from the date of original issuance and are payable quarterly on or about the 15th day of each March, June, September and December, commencing on March 15, 1998 at the rate of 8.00% per annum of the \$25.00 liquidation preference (equivalent to a fixed annual rate of \$2.00 per share). The first dividend will be for less than a full quarter. Dividends on the Series D Preferred Stock will accrue whether or not the Company's credit facilities at any time prohibit the current payment of dividends, whether or not the Company has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. See "Description of Preferred Stock -- Series D Preferred Stock -- Dividends."

LIQUIDATION PREFERENCE.... The liquidation preference for each share of Series D Preferred Stock is \$25.00, plus an amount equal to all accrued and unpaid dividends. See "Description of Preferred Stock -- Series D Preferred Stock -- Liquidation Preference."

REDEMPTION..... Except in certain circumstances relating to the preservation of the Company's status as a REIT (see "Restrictions on Transfers of Capital Stock" in the accompanying Prospectus), the Series D Preferred Stock is not redeemable prior to December 15, 2002. On and after December 15, 2002, the Series D Preferred Stock may be redeemed for cash at the option of the Company, in whole or in part, at \$25.00 per share, plus all accrued and unpaid dividends thereon to the date fixed for redemption. The redemption price (other than the portion thereof consisting of accrued and unpaid dividends) shall be payable solely out of the sale proceeds of other capital stock of the Company, which may include other series of Preferred Stock, and from no other source. See "Description of Preferred Stock -- Series D Preferred Stock -- Redemption."

VOTING RIGHTS..... Holders of Series D Preferred Stock will generally have no voting rights except as required by law. However, whenever dividends on any shares of Series D Preferred Stock shall be in arrears for six or more quarterly periods, the holders of the Series D Preferred Stock (voting separately as a class with all other series of Preferred Stock upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of a total of two directors of the Company until all dividends accumulated on such shares of Series D Preferred Stock have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. See "Description of Preferred Stock -- Series D Preferred Stock -- Voting Rights."

CONVERSION..... The Series D Preferred Stock is not convertible into

or exchangeable for any other property or securities of the Company, except that the shares of Series D Preferred Stock may be exchanged by the Company for shares of Excess Stock in order to ensure that the Company remains a qualified REIT for federal income tax purposes. See "Restrictions on Transfers of Capital Stock" in the accompanying Prospectus.

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RESTRICTIONS ON

OWNERSHIP..... Ownership by a single holder of more than 9.0% of any class or series of the capital stock of the Company, including the Series D Preferred Stock, is restricted in order to ensure that the Company remains a qualified REIT for federal income tax purposes. See "Restrictions on Transfers of Capital Stock" in the accompanying Prospectus.

TRADING..... Application has been made to list the Series D Preferred Stock on the NYSE and the PCX. If approved, trading of the Series D Preferred Stock on the NYSE and the PCX is expected to commence within a 30-day period after the initial delivery of the shares of Series D Preferred Stock.

RISK FACTORS

An investment in the Series D Preferred Stock involves various risks, and prospective investors should carefully consider the matters discussed under "Risk Factors" commencing on page S-5 of this Prospectus Supplement before making any investment in the Company.

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RISK FACTORS

An investment in the Company involves various risks. Prospective stockholders should consider the following risk factors:

DEVELOPMENT AND ACQUISITION RISKS

The Company intends to continue to pursue the development and construction of apartment home communities in accordance with the Company's development and underwriting policies. Risks associated with the Company's development and construction activities may include: the abandonment of development and acquisition opportunities explored by the Company; construction costs of a community may exceed original estimates due to increased materials, labor or other expenses, which could make completion of the community uneconomical; occupancy rates and rents at a newly completed 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 of a community; and construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs. Development activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy, and other required governmental permits and authorizations. 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 reconstruction and could prevent the Company from making expected distributions. See "-- Real Estate Investment Risks."

For new development communities, the Company's goal, on average, is to achieve projected earnings before interest, income taxes, depreciation and amortization ("EBITDA") as a percentage of total budgeted construction cost of approximately 10%. Projected EBITDA as a percentage of total budgeted construction cost represents EBITDA projected to be received in the first calendar year after a community reaches stabilized occupancy (i.e., the first month when the community has a weighted average physical occupancy of at least 95%), based on current market rents, less projected stabilized property operating and maintenance expenses, before interest, income taxes, depreciation and amortization. Total budgeted construction cost is based on current construction costs, including interest capitalized during the construction period. Market rents and construction costs reflect those prevailing in the community's market at the time the Company's development budgets are prepared

while 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. For example, upon the acquisition of the Toscana land site in May 1996, the Company estimated that the total budgeted construction cost for this Current Development Community would be \$95.7 million. Since that time, the Company has obtained bids for the construction of the first two phases of this four-phase project. Construction costs are increasing and management believes that when the last two phases are bid in late 1997, the total construction cost for this development will be higher than the original budget. Nonetheless, because of increases in prevailing market rents management believes that it will still be able to achieve projected EBITDA as a percentage of total budgeted construction cost of at least 10%. Management believes that it will experience similar increases in construction costs and market rents with respect to the CentreMark and Paseo Alameda Current Development Communities. However, there can be no assurances that market rents in effect at the time the Current Development Communities are leased-up will be sufficient to fully offset the effects of any increased construction costs.

Acquisitions entail risks that investments will fail to perform in accordance with expectations and that judgments with respect to the costs of improvements to bring an acquired community up to standards established for the market position intended for that community will prove inaccurate, as well as general investment risks associated with any new real estate investment. Although the Company undertakes an evaluation of the physical condition of each new community before it is acquired, certain defects or necessary repairs may not be detected until after the community is acquired, which could significantly increase the Company's total acquisition costs.

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As described above, construction costs are increasing and the cost to reposition Communities that have been acquired has, in some cases, exceeded management's original estimates. Management believes that it may experience similar increases in the future. There can be no assurances that the Company will be able to charge rents upon completing the repositioning of the Communities that will be sufficient to fully offset the effects of any increases in construction costs.

REAL ESTATE INVESTMENT RISKS

General Risks. Real property investments are subject to varying degrees of risk. The yields available from equity investments in real estate depend on the amount of income generated and expenses incurred. If the Communities do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, the Company's cash flow and ability to pay distributions to its stockholders will be adversely affected.

An apartment community's revenues and value may be adversely affected by a number of factors, including the national economic climate; the local economic climate (which may be adversely impacted by plant closings, industry slowdowns, military base closings and other factors); local real estate conditions (such as an oversupply of or a reduced demand for apartment homes); the perceptions by prospective residents of the safety, convenience and attractiveness of the community; the ability of the owner to provide adequate management, maintenance and insurance; and increased operating costs (including real estate taxes and utilities). Certain significant expenditures associated with each equity investment (such as mortgage payments, if any, real estate taxes, insurance and maintenance costs) are generally not reduced when circumstances cause a reduction in income from the investment. If a community is mortgaged to secure payment of indebtedness, and if the Company is unable to meet its mortgage payments, a loss could be sustained as a result of foreclosure on the community or the exercise of other remedies by the mortgagee. In addition, real estate values and income from communities are also affected by such factors as the cost of compliance with government regulation, including zoning and tax laws, interest rate levels and the availability of financing.

Operating Risks. Each of the Communities is subject to all operating risks common to apartment communities in general, any and all of which might adversely affect apartment home occupancy or rental rates. Increases in unemployment and a decline in household formation in Northern or Southern California, or the State of Washington, generally might adversely affect occupancy or rental rates. Increases in operating costs due to inflation and other factors may not be offset by increased rents. Residents may be unable or unwilling to pay rent increases. Rent control or rent stabilization laws or other laws regulating housing are applicable in certain of the cities where the Company owns Communities and may be enacted in the future in the jurisdictions in which one or more communities are located or may be acquired; if enacted, compliance with these laws may prevent the Company from raising rents to offset increases in operating costs. Similarly, the local rental market may limit the extent to which rents may be increased to meet increased expenses without decreasing occupancy rates. If any of the above occurs, the Company's ability to achieve its desired yields on the Communities and to make expected distributions to stockholders could be adversely affected.

Market Illiquidity. Equity real estate investments are relatively illiquid. Such illiquidity will tend to limit the ability of the Company to vary its portfolio promptly in response to changes in economic or other conditions. In addition, the Internal Revenue Code of 1986, as amended (the "Code"), limits the Company's ability to sell properties held for fewer than four years, which may affect the Company's ability to sell properties without adversely affecting returns to holders of Common Stock.

Competition. There are numerous housing alternatives that compete with the Communities in attracting residents. The Communities compete directly with other rental apartments and single-family homes that are available for rent in the markets in which the Communities are located. The Communities also compete for residents with the new and existing home markets. The number of competitive residential properties in a particular area could have a material adverse effect on the Company's ability to lease apartment homes and on the rents charged. In addition, competitors for acquisitions and development projects may have greater resources than the Company thereby putting the Company at a competitive disadvantage.

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Affordable Housing Laws or Restrictions. A number of the Communities are, and will be in the future, subject to federal, state and local statutes or other restrictions requiring that a percentage of apartment homes be made available to residents satisfying certain income requirements. The Company must comply with these restrictions as a condition to obtaining tax-exempt financing for these Communities. These laws and restrictions, as well as any changes thereto making it more difficult to meet such requirements, or a reduction in or elimination of certain financing advantages available in some instances to persons satisfying such requirements, could adversely affect the Company's profitability and its development and acquisition projects in the future.

DEPENDENCE ON NORTHERN CALIFORNIA AND PRIMARY MARKETS

Although the Company may expand further outside of Northern California, and intends to make additional selective acquisitions in Southern California and the State of Washington from time to time, currently a substantial majority of the Communities are located in Northern California (primarily in the San Francisco Bay Area), where the Company has most of its acquisition, development, construction and marketing expertise. The Company's performance, therefore, is dependent upon economic conditions in these markets. A decline in the economy in these markets may adversely affect the ability of the Company to make expected distributions to stockholders. Similarly, a decline in demand for discretionary consumer goods and leisure travel, as well as a deterioration of market fundamentals affecting high technology industries, could have an adverse impact upon Northern California. Reductions in the level of government spending in the defense industry may also have an impact upon employment and demand for residential real estate in the Primary Markets.

NEW MARKETS

In 1996, the Company expanded beyond Northern California and has since acquired ten Communities located in Southern California (including Orange, Los Angeles and San Diego Counties) and two Communities located in the State of Washington (i.e., King County). The Company has also agreed to acquire a 264 apartment home community currently under construction in Redmond, Washington. This proposed acquisition will not be consummated until 90 days after construction is completed and the community is 90% occupied by residents. Because the consummation of the acquisition is subject to the satisfaction of certain conditions that are not within the control of the Company, there can be no assurance that the Company will acquire the community or, if the community is acquired, that it will be purchased on the terms currently contemplated. The Company also intends to make other selective acquisitions in these markets and other new markets from time to time. The Company's historical experience is in Northern California, primarily in the San Francisco Bay Area, and it is possible that the Company's expertise in those markets may not assist the Company in its new markets. In such event, the Company may be exposed to, among others, risks associated with (i) a lack of market knowledge and understanding of the local economy, (ii) an inability to access land and property acquisition opportunities, (iii) an inability to obtain construction tradespeople, (iv) sudden adverse shifts in supply and demand factors and (v) an unfamiliarity with local governmental procedures.

NATURAL DISASTERS

Many of the Communities are located in the general vicinity of active earthquake faults. In June 1997, the Company obtained a seismic risk analysis from an engineering firm which estimated the probable maximum loss ("PML") for each of the 41 Communities owned at that time and Toscana, a Current Development Community, individually and for all of such Communities and Toscana combined. To establish a PML, 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 PML 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

the Communities are concentrated in the San Francisco Bay Area, the engineers' analysis defined an earthquake on the San Andreas Fault with a Richter Scale magnitude of 8.0 as a severe earthquake with a 10% probability of occurring within a 50-year period, and established an aggregate PML at that time of \$63.8 million for the 41 Communities owned at that time and Toscana, which is a PML level that is expected to be exceeded only 10% of the time in the event of such a severe earthquake. The actual aggregate PML could be higher as a result of variations in soil classifications

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and structural vulnerabilities. Two of the Communities had individual PMLs of 30%, while seven Communities had PMLs of 25%, and the remaining 32 Communities owned at such time and Toscana each had PMLs of 20% or less. The Company has obtained an individual PML assessment for each of the seven Communities acquired since June 1997. One Community had an individual PML of 30%, another had an individual PML of 24%, and the remaining five Communities each had individual PMLs of 20% or less. While the Company has not yet obtained an engineers' analysis establishing an aggregate PML for all of the Communities combined, the Company currently intends to do so on an annual basis in order to assist it in evaluating appropriate levels of insurance coverage. No assurance can be given that an earthquake would not cause damage or loss greater than the PML assessments indicate, that future PML levels will not be higher than the current PML levels for the Communities, or that future acquisitions or developments will not have PML assessments indicating the possibility of greater damage or loss than currently indicated.

In July 1997, the Company renewed its earthquake insurance, both for physical damage and lost revenue, with respect to the 41 Communities then owned and Toscana. In addition, the seven Communities acquired subsequent to June 1997 are included under the Company's earthquake insurance policy. For any single occurrence, the Company self-insures the first \$25 million of loss, and has in place \$35 million of coverage above this amount, with a 5% deductible subject to a maximum deductible of \$2.43 million. In addition, the Company's general liability and property casualty insurance provides coverage for personal liability and fire damage. In the event that 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 such 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.

REAL ESTATE FINANCING RISKS

Risks Relating to the Credit Enhancement. As of September 30, 1997, the Company was obligated for certain mortgage indebtedness funded by tax-exempt bonds (the "Bonds") in the aggregate principal amount of approximately \$224 million on 12 Communities (Waterford, Villa Mariposa, Fairway Glen, Foxchase, Barrington Hills, Crossbrook, Rivershore, Canyon Creek, Sea Ridge, City Heights, Countrybrook and Larkspur Canyon). Principal and interest payments due to holders of the Bonds are secured by a first deed of trust on the Community associated with the respective Bond issue.

Scheduled principal and interest payments due on the Bonds financing Foxchase, Fairway Glen, Waterford and Villa Mariposa (the "1994 Bonds") are guaranteed by an insurance policy (the "FGIC Credit Enhancement") issued by Financial Guaranty Insurance Company ("FGIC"). The FGIC Credit Enhancement will terminate on March 17, 2004 and, if the FGIC Credit Enhancement is not renewed or replaced, the 1994 Bond documents may require balloon payments in 2004 aggregating approximately \$87.4 million, less any unscheduled principal amortization. Scheduled interest and principal payments due on the Bonds financing Barrington Hills, Crossbrook, Rivershore, Canyon Creek, Sea Ridge, City Heights and Larkspur Canyon are supported by a 30-year credit enhancement, expiring June 15, 2025 (the "FNMA Credit Enhancement" and, together with the FGIC Credit Enhancement, the "Credit Enhancements"), provided by the Federal National Mortgage Association ("FNMA"). The Bonds financing Countrybrook are also supported by a credit enhancement provided by FNMA through April 1, 2002.

Each of the Credit Enhancements contains certain provisions under which a default of certain payment obligations or covenants would entitle FGIC or FNMA, as the case may be, to declare a default under its respective Credit Enhancement documents and exercise its remedies (including foreclosure) under mortgages that encumber 11 of the 12 Bond-financed Communities and eight additional Communities, with a consequent loss of income and asset value to the Company. In addition, gross rents collected from the residents of these 19 Communities have been and will continue to be deposited in cash collateral accounts established with financial institutions acceptable to FGIC or FNMA, as applicable. The Company does not have access to these funds until all required monthly debt service payments due on the Bonds and certain other payments are made. A default under either of the Credit Enhancements or the Bond documents may adversely affect the ability of

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the Company to make expected distributions to shareholders, including distributions required to maintain its REIT status. See "Certain Federal Income Tax Considerations."

Bond Compliance Requirements. The 12 Bond-financed Communities are subject to deed restrictions or restrictive covenants relating to tax-exempt bond financing. In addition, the Code and the regulations promulgated thereunder impose various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on qualified Bond obligations, including requirements that at least 20% of apartment homes be made available to residents with gross incomes that do not exceed 80% of the median income (50% in the case of the Canyon Creek, City Heights and Sea Ridge Communities) in the area, measured annually. Some of the Communities financed with Bonds are also subject to a requirement that the rental rates for the 20% of the apartment homes that are subject to the foregoing requirement may not exceed 30% of one-half of the applicable median income. In addition to federal requirements, certain state and local authorities have imposed rental restrictions. The Bond compliance requirements and the requirements of any future tax-exempt bond financing utilized by the Company may have the effect of limiting the Company's income from the Bond-financed Communities if the Company is required to lower its rental rates materially to attract residents who satisfy the median income test. If the required number of apartment homes are not reserved for residents satisfying these income requirements, the tax-exempt status of the Bonds may be terminated, the obligations of the Company under the Bond documents may be accelerated and other contractual remedies against the Company may be available.

Risk of Rising Interest Rates. As of September 30, 1997, the Company had outstanding variable rate indebtedness aggregating approximately \$291 million, consisting of \$204 million of tax-exempt financing and \$87 million of borrowings under the Company's Unsecured Credit Facility. As of such date, all of the Company's \$204 million of variable rate tax-exempt financing had been fixed through interest rate swap agreements, of which an aggregate of \$87.4 million had been fixed at an all-inclusive interest rate of 5.88% per annum until March 2004, an aggregate of \$88.3 million had been fixed at an all-inclusive interest rate of 6.48% per annum until June 2010, \$20.7 million had been fixed at an all-inclusive interest rate of 5.80% per annum until July 2007 and \$7.6 million had been fixed at an all-inclusive interest rate of 5.50% per annum until September 2002. Additional indebtedness that the Company may incur under the Unsecured Credit Facility will also bear interest at a variable rate. To the extent the Company uses variable rate debt for future financings, and with respect to the portion of the Company's outstanding indebtedness that will bear interest at a variable rate, increases in these interest rates could adversely affect the Company's ability to make distributions to stockholders. Consideration will be given to acquiring interest rate hedging or protection agreements, if appropriate and cost effective, with respect to future variable rate indebtedness to seek to reduce exposure to interest rate increases on such debt.

POTENTIAL ENVIRONMENTAL LIABILITIES

Under various federal, state and local environmental laws, a current or previous owner or operator of real estate may be required (typically 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 costs 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.

Certain federal, state and local laws and regulations 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, all of which were constructed after 1983. The Company is aware that ACMs were used in connection with the construction of the following Communities acquired by the Company: Regatta Bay, Sea Ridge, Village Square, Sunset

Towers, Mill Creek, Crowne Ridge (formerly Channing Heights), Lafayette Place (formerly Martinique Gardens), SummerWalk (formerly Rancho Penasquitos), TimberWood (formerly The Village), SunScape (formerly Banbury Cross), Cardiff Gardens, Mission Woods (formerly Genesee Gardens), Cedar Ridge (formerly Regency), The Park, Lakeside, Creekside and Governor's Square. The Company does not anticipate that it will incur any material liabilities in connection with the presence of ACMs at the Communities. The Company currently has in place or intends to implement an operations and maintenance program for ACMs at the

Regatta Bay, Sea Ridge, Village Square, Sunset Towers, Mill Creek, Crowne Ridge, Lafayette Place, SummerWalk, TimberWood, SunScape, Cardiff Gardens, Mission Woods, Cedar Ridge, The Park, Lakeside, Creekside and Governor's Square Communities.

All of the Communities, and all of the Current Development Communities, have been subjected to a Phase I or similar environmental assessment (which involves general inspections without soil sampling or groundwater analysis and generally without radon testing). These assessments have not revealed any environmental liability that the Company believes would have a material adverse effect on the Company's business, assets or results of operations. However, one Community and one Current Development Community are subject to soil and groundwater remediation of contamination from adjacent landowners. In the case of one of the Current Development Communities, Toscana, National Semiconductor Corporation is causing remediation to occur and has provided an indemnity which the Company may rely upon for certain environmental liabilities. Additionally, another Current Development Community, Paseo Alameda, required underground storage tank removal and other environmental cleanup. The Company is also aware that certain of the Communities have lead paint and the Company is undertaking or intends to undertake appropriate remediation activity. Nevertheless, it is possible that the assessments do not reveal all environmental liabilities or there are material environmental liabilities of which the Company is unaware. No assurances can be given that (i) future laws, ordinances or regulations will not impose material environmental liability, or (ii) the current environmental condition of the Communities or the Current Development Communities will not be affected by the condition of land or operations in the vicinity of such Communities (such as the presence of underground storage tanks), or by third parties unrelated to the Company.

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THE COMPANY

The Company is a fully-integrated apartment company with in-house acquisition, development, construction, reconstruction, financing, marketing, leasing and management expertise and is one of the most experienced developers and operators of upscale apartment communities in Northern California and, in particular, in the San Francisco Bay Area. With its experience and in-house capabilities, the Company believes it is well-positioned to continue to take advantage of the strong demand for upscale apartment homes and the development and acquisition opportunities presented by the current economic conditions in Northern and Southern California and the State of Washington. See "Risk Factors."

The Company is a self-administered and self-managed REIT that currently owns, or holds substantially all of the ownership interests in, and manages 49 Communities containing 13,124 apartment homes, including homes delivered at Toscana, a partially developed community. A substantial majority of the Communities, 37 out of 49, are located in Northern California (principally in the San Francisco Bay Area), with a concentration in the counties of San Francisco, San Mateo, Alameda and Santa Clara, while ten Communities are located in Southern California and two Communities are located in the State of Washington. The Company has also agreed, subject to certain contingencies, to acquire a 264 apartment home community currently under construction in Redmond, Washington. In addition to the Communities, the Company owns six land sites on which it is building, or plans to commence building in the future, six communities which will contain an aggregate of approximately 1,698 apartment homes, including the remaining apartment homes under construction at Toscana.

USE OF PROCEEDS

The net proceeds to the Company from the sale of the 3,000,000 shares of Series D Preferred Stock offered pursuant to this Prospectus Supplement, after all anticipated issuance costs, are estimated to be approximately \$72.5 million (approximately \$83.4 million if the Underwriters' over-allotment option is exercised in full). The Company will use the net proceeds from this offering to reduce borrowings under the Unsecured Credit Facility, which were used to fund the acquisition of the Governor's Square Community and the development of the Current Development Communities. The Unsecured Credit Facility bears interest at the London Interbank Offered Rate (based on a maturity selected by the Company) plus 0.90% per annum (6.81% per annum as of December 12, 1997) and matures in May 2000.

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CAPITALIZATION

The following table sets forth the historical capitalization for the Company as of September 30, 1997 and the pro forma capitalization for the Company as of such date to reflect the issuance of Common Stock in December 1997, and as adjusted to give effect to this offering, including the use of the net proceeds derived therefrom as described in "Use of Proceeds."

<TABLE>
<CAPTION>

SEPT. 30, 1997

	HISTORICAL	PRO FORMA	AS ADJUSTED
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Notes payable.....	\$ 249,552	\$ 249,552	\$ 249,552
Unsecured Credit Facility(1).....	87,000	47,543	--
Minority interest.....	9,345	9,345	9,345
Shareholders' equity:			
Preferred Stock, \$.01 par value, 25,000,000 authorized, outstanding: 5,013,822 at September 30, 1997 and pro forma, and 8,013,822 as adjusted.....	50	50	80
Common Stock, \$.01 par value, 40,000,000 authorized, outstanding: 24,968,136 at September 30, 1997, and 25,994,323 pro forma and as adjusted(2).....	250	260	260
Dividends in excess of accumulated earnings.....	(29,612)	(29,612)	(29,612)
Paid in capital.....	701,717	741,164	813,672
Total shareholders' equity.....	672,405	711,862	784,400
Total capitalization.....	\$1,018,302	\$1,018,302	\$1,043,297

</TABLE>

(1) As of December 12, 1997 there was \$125.1 million outstanding under the Unsecured Credit Facility.

(2) Excludes 1,419,474 shares of Common Stock reserved for issuance under the 1994 Stock Incentive Plan, as amended and restated.

RATIOS OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS

The following table sets forth the Company's consolidated ratios of earnings to combined fixed charges and preferred stock dividends for the periods shown:

<S>	JANUARY 1 - SEPTEMBER 30, 1997	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995	MARCH 17 - DECEMBER 31, 1994	JANUARY 1 - MARCH 16, 1994 (1)	YEAR ENDED DECEMBER 31, 1993 (1)	YEAR ENDED DECEMBER 31, 1992 (1)
Ratio.....	1.88x	1.61x	1.26x	1.76x	.71x	.96x	.71x

(1) Ratios for the period January 1 - March 16, 1994 and the years ended 1993 and 1992 reflect periods prior to the recapitalization and initial public offering of the Company on March 17, 1994. The earnings for these periods were inadequate to cover fixed charges as follows:

<S>	<C>
Period January 1 - March 16, 1994.....	\$ 716,000
Year ended December 31, 1993.....	447,000
Year ended December 31, 1992.....	3,916,000

The ratios of earnings to fixed charges were computed by dividing earnings by fixed charges. For this purpose, earnings consist of pre-tax income from continuing operations plus fixed charges. Fixed charges consist of interest expense, capitalized interest and the amortization of debt issuance costs. The Company issued 2,308,800 shares of Series A Convertible Preferred Stock in October 1995, 405,022 shares of Series B Convertible Preferred Stock in May 1996, and 2,300,000 shares of Series C Preferred Stock in June 1997.

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DESCRIPTION OF PREFERRED STOCK

This description of the particular terms of the Preferred Stock supplements and, to the extent inconsistent therewith, replaces the description of the general terms and provisions of the Preferred Stock set forth in the accompanying Prospectus, to which description reference is hereby made.

GENERAL

The Company is authorized to issue up to 25,000,000 shares of Preferred Stock in one or more series, with such terms, preferences, conversion or other

rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption, in each case, if any, as are permitted by Maryland law and as the Board of Directors of the Company may determine by adoption of an amendment of the Company's Articles of Incorporation, as amended (the "Articles"), without any further vote or action by the Company's stockholders. See "Description of Preferred Stock" in the accompanying Prospectus. The Series D Preferred Stock is a series of the Company's Preferred Stock.

Prior to the completion of the offering, the Board of Directors of the Company will adopt an amendment of the Articles determining the terms of a series of Preferred Stock consisting of up to 3,450,000 shares, designated 8.00% Series D Cumulative Redeemable Preferred Stock. The following summary of the terms and provisions of the Preferred Stock does not purport to be complete and is qualified in its entirety by reference to the pertinent sections of the Articles and the Articles Supplementary creating the Series A Convertible Preferred Stock, Series B Convertible Preferred Stock and Series C Preferred Stock and the Articles Supplementary to be adopted with respect to the Series D Preferred Stock (the "Designating Amendment"), each of which is available from the Company.

The transfer agent, registrar and dividend disbursing agent for the Series D Preferred Stock will be American Stock Transfer & Trust Company of New York, New York.

SERIES A CONVERTIBLE PREFERRED STOCK AND SERIES B CONVERTIBLE PREFERRED STOCK

The Company currently has outstanding 2,308,800 shares of Series A Convertible Preferred Stock and 405,022 shares of Series B Convertible Preferred Stock. The Series A Convertible Preferred Stock and the Series B Convertible Preferred Stock have substantially the same terms and conditions. Both Series A Convertible Preferred Stock and Series B Convertible Preferred Stock are entitled to receive dividends equal to one hundred and three percent (103%) of the dividends, if any, paid on the Common Stock. The Series D Preferred Stock will rank senior to the Series A Convertible Preferred Stock and the Series B Convertible Preferred Stock with respect to the payment of dividends and payments upon liquidation. The Series A Convertible Preferred Stock and the Series B Convertible Preferred Stock generally have no voting rights and, except in certain limited circumstances, cannot be converted into Common Stock prior to October 1998. Thereafter, the Series A Convertible Preferred Stock and the Series B Convertible Preferred Stock may be converted on a share-for-share basis into shares of Common Stock, subject to certain ownership limitations. In October 2005, all outstanding shares of Series A Convertible Preferred Stock and Series B Convertible Preferred Stock will be automatically converted into shares of Common Stock. The Series A Convertible Preferred Stock and the Series B Convertible Preferred Stock are not traded on any securities exchange and the Company does not have any obligation to list or quote those securities on any securities exchange. The holders of the Series A Convertible Preferred Stock and the Series B Convertible Preferred Stock have registration rights with respect to the shares of Common Stock issuable upon conversion of those securities.

SERIES C PREFERRED STOCK

The Company currently has outstanding 2,300,000 shares of Series C Preferred Stock. Holders of shares of the Series C Preferred Stock are entitled to receive, when and as declared by the Board of Directors, out of funds legally available for the payment of dividends, cumulative preferential cash dividends at the rate of 8.50% per annum of their \$25.00 liquidation preference (equivalent to a fixed annual rate of \$2.125 per share). Such dividends are cumulative from the date of original issue and are payable quarterly in arrears on or before the 15th day of each March, June, September and December or, if such day is not a business day, the next

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succeeding business day. The Series C Preferred Stock is not redeemable prior to June 20, 2002. On and after June 20, 2002, the Company, at its option upon not less than 30 nor more than 60 days' prior written notice, may redeem shares of the Series C Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25.00 per share, plus all accrued and unpaid dividends thereon to the date fixed for redemption. The Series C Preferred Stock is listed on the NYSE and the PCX under the symbol "BYA pc."

Except with respect to the foregoing description of the dividend rate and redemption date of the Series C Preferred Stock, the terms of the Series C Preferred Stock are substantially identical to the terms of the Series D Preferred Stock. See "-- Series D Preferred Stock." The Series D Preferred Stock will rank pari passu with the Series C Preferred Stock with respect to the payment of dividends and payments upon liquidation.

SERIES D PREFERRED STOCK

DIVIDENDS

Holders of shares of the Series D Preferred Stock shall be entitled to

receive, when and as declared by the Board of Directors, out of funds legally available for the payment of dividends, cumulative preferential cash dividends at the rate of 8.00% per annum of their \$25.00 liquidation preference (equivalent to a fixed annual rate of \$2.00 per share). Such dividends shall be cumulative from the date of original issue and shall be payable quarterly in arrears on or before the 15th day of each March, June, September and December or, if such day is not a business day, the next succeeding business day (each, a "Dividend Payment Date"). The first dividend, which will be paid on March 15, 1998, will be for less than a full quarter. Such dividend and any dividend payable on the Series D Preferred Stock for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in the stock records of the Company at the close of business on the applicable record date, which shall be the first day of the calendar month in which the applicable Dividend Payment Date falls or on such other date designated by the Board of Directors of the Company for the payment of dividends that is not more than 30 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date"). The Series D Preferred Stock will rank senior to the Common Stock, the Series A Convertible Preferred Stock and the Series B Convertible Preferred Stock, and pari passu with the Series C Preferred Stock, with respect to the payment of dividends.

No dividends on shares of the Series D Preferred Stock shall be declared by the Board of Directors of the Company or paid or set apart for payment by the Company at such time as the terms and provisions of any agreement of the Company, including any agreement relating to its indebtedness, prohibits such declaration, payment or setting apart for payment or provides that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

Notwithstanding the foregoing, dividends on the Series D Preferred Stock will accrue whether or not the Company has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. Accrued but unpaid dividends on the Series D Preferred Stock will accumulate as of the Dividend Payment Date on which they first become payable. Except as set forth in the next sentence, no dividends will be declared or paid or set apart for payment on any capital stock of the Company or any other series of Preferred Stock ranking, as to dividends, on a parity with or junior to the Series D Preferred Stock (other than a dividend in shares of the Company's Common Stock or in any other class of capital stock ranking junior to the Series D Preferred Stock as to dividends and upon liquidation) for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for such payment on the Series D Preferred Stock for all past dividend periods and the then current dividend period. When dividends are not paid in full (and a sum sufficient for such full payment is not so set apart) upon the Series D Preferred Stock and the shares of any other series of Preferred Stock ranking on a parity as to dividends with the Series D Preferred Stock, all dividends declared upon the Series D Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with the Series D Preferred Stock shall be declared pro rata so that the amount of

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dividends declared per share of Series D Preferred Stock and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the Series D Preferred Stock and such other series of Preferred Stock (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such Preferred Stock does not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series D Preferred Stock which may be in arrears.

Except as provided in the immediately preceding paragraph, unless full cumulative dividends on the Series D Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods and the then current dividend period, no dividends (other than in shares of Common Stock or other shares of capital stock ranking junior to the Series D Preferred Stock as to dividends and upon liquidation) shall be declared or paid or set aside for payment nor shall any other distribution be declared or made upon the Common Stock, or any other capital stock of the Company ranking junior to or on a parity with the Series D Preferred Stock as to dividends or upon liquidation, nor shall any shares of Common Stock, or any other shares of capital stock of the Company ranking junior to or on a parity with the Series D Preferred Stock as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Company (except by conversion into or exchange for other capital stock of the Company ranking junior to the Series D Preferred Stock as to dividends and upon liquidation). Holders of shares of the Series D Preferred Stock shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends on the Series D Preferred Stock as provided above. Any dividend payment made on shares of the Series D Preferred Stock shall first be credited

against the earliest accrued but unpaid dividend due with respect to such shares which remains payable. See "Description of Preferred Stock -- Dividends" in the accompanying Prospectus.

LIQUIDATION PREFERENCE

Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the holders of shares of Series D Preferred Stock are entitled to be paid out of the assets of the Company legally available for distribution to its stockholders a liquidation preference of \$25.00 per share, plus an amount equal to any accrued and unpaid dividends to the date of payment, before any distribution of assets is made to holders of Common Stock or any other class or series of capital stock of the Company that ranks junior to the Series D Preferred Stock as to liquidation rights. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series D Preferred Stock will have no right or claim to any of the remaining assets of the Company. The consolidation or merger of the Company with or into any other corporation, trust or entity or of any other corporation with or into the Company, or the sale, lease or conveyance of all or substantially all of the property or business of the Company, shall not be deemed to constitute a liquidation, dissolution or winding up of the Company. For further information regarding the rights of the holders of the Series D Preferred Stock upon the liquidation, dissolution or winding up of the Company, see "Description of Preferred Stock -- Liquidation Preference" in the accompanying Prospectus. The Series D Preferred Stock will rank senior to the Common Stock, the Series A Convertible Preferred Stock and the Series B Convertible Preferred Stock, and pari passu with the Series C Preferred Stock, with respect to payments upon liquidation.

REDEMPTION

The Series D Preferred Stock is not redeemable prior to December 15, 2002. However, in order to ensure that the Company remains a qualified REIT for federal income tax purposes, Series D Preferred Stock owned by a stockholder in excess of the Ownership Limit (as defined in the accompanying Prospectus) may automatically be exchanged for shares of Excess Stock, and the Company will have the right to purchase Excess Stock from the holder. See "Restrictions on Transfers of Capital Stock" in the accompanying Prospectus. On and after December 15, 2002, the Company, at its option upon not less than 30 nor more than 60 days' written notice, may redeem shares of the Series D Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25.00 per share, plus all accrued and unpaid dividends thereon to the date fixed for redemption (except as provided below), without interest. The redemption price of

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the Series D Preferred Stock (other than the portion thereof consisting of accrued and unpaid dividends) is payable solely out of the sale proceeds of other capital stock of the Company, which may include other series of Preferred Stock, and from no other source. For purposes of the preceding sentence, "capital stock" means any equity securities (including Common Stock and Preferred Stock), shares, interest, participation or other ownership interests (however designated) and any rights (other than debt securities convertible into or exchangeable for equity securities) or options to purchase any of the foregoing. Holders of Series D Preferred Stock to be redeemed shall surrender such Series D Preferred Stock at the place designated in such notice and shall be entitled to the redemption price and any accrued and unpaid dividends payable upon such redemption following such surrender. If notice of redemption of any shares of Series D Preferred Stock has been given and if the funds necessary for such redemption have been set aside by the Company in trust for the benefit of the holders of any shares of Series D Preferred Stock so called for redemption, then from and after the redemption date dividends will cease to accrue on such shares of Series D Preferred Stock, such shares of Series D Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price. If less than all of the outstanding shares of Series D Preferred Stock is to be redeemed, the Series D Preferred Stock to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional shares) or by any other equitable method determined by the Company.

Unless full cumulative dividends on all shares of Series D Preferred Stock shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods and the then current dividend period, no shares of Series D Preferred Stock shall be redeemed unless all outstanding shares of Series D Preferred Stock are simultaneously redeemed and the Company shall not purchase or otherwise acquire directly or indirectly any shares of Series D Preferred Stock (except by exchange for capital stock of the Company ranking junior to the Series D Preferred Stock as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase by the Company of shares of Excess Stock in order to ensure that the Company remains qualified as a REIT for federal income tax purposes, as described under "Restrictions on Transfers of Capital Stock" in the accompanying Prospectus, or the purchase or acquisition of shares of Series D Preferred Stock pursuant to a purchase or

exchange offer made on the same terms to holders of all outstanding shares of such Series D Preferred Stock.

Notice of redemption will be given by publication in a newspaper of general circulation in the City of New York, such publication to be made once a week for two successive weeks commencing not less than 30 nor more than 60 days prior to the redemption date. A similar notice will be mailed by the Company, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series D Preferred Stock to be redeemed at their respective addresses as they appear on the stock transfer records of the Company. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of Series D Preferred Stock except as to the holder to whom notice was defective or not given. Each notice shall state: (i) the redemption date; (ii) the redemption price; (iii) the number of shares of Series D Preferred Stock to be redeemed; (iv) the place or places where the Series D Preferred Stock is to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date. If less than all of the Series D Preferred Stock held by any holder is to be redeemed, the notice mailed to such holder shall also specify the number of shares of Series D Preferred Stock held by such holder to be redeemed.

The holders of Series D Preferred Stock at the close of business on a Dividend Record Date will be entitled to receive the dividend payable with respect to such Series D Preferred Stock on the corresponding Dividend Payment Date notwithstanding the redemption thereof between such Dividend Record Date and the corresponding Dividend Payment Date or the Company's default in the payment of the dividend due. Except as provided above, the Company will make no payment or allowance for unpaid dividends, whether or not in arrears, on called Series D Preferred Stock.

The Series D Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption. However, in order to ensure that the Company remains a qualified REIT for federal

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income tax purposes, Series D Preferred Stock owned by a stockholder in excess of the Ownership Limit may automatically be exchanged for shares of Excess Stock, and the Company will have the right to purchase Excess Stock from the holder.

VOTING RIGHTS

Holders of the Series D Preferred Stock will not have any voting rights, except as set forth below or as otherwise from time to time required by law.

Whenever dividends on any shares of Series D Preferred Stock shall be in arrears for six or more quarterly periods (a "Preferred Dividend Default"), the holders of such shares of Series D Preferred Stock (voting separately as a class with all other series of Preferred Stock ranking on a parity with the Series D Preferred Stock as to dividends or upon liquidation ("Parity Preferred") upon which like voting rights have been conferred and are exercisable), will be entitled to vote for the election of a total of two directors of the Company (the "Preferred Stock Directors") at a special meeting called by the holders of record of at least 20% of the Series D Preferred Stock or the holders of any other series of Parity Preferred so in arrears (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders) or at the next annual meeting of stockholders, and at each subsequent annual meeting until all dividends accrued on such shares of Series D Preferred Stock for the past dividend periods and the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. If and when all accumulated dividends and the dividend for the then current dividend period on the Series D Preferred Stock shall have been paid in full or set aside for payment in full, the holders thereof shall be divested of the foregoing voting rights (subject to reversion in the event of each and every Preferred Dividend Default) and, if all accumulated dividends and the dividend for the then current dividend period have been paid in full or set aside for payment in full on all series of Parity Preferred upon which like voting rights have been conferred and are exercisable, the term of office of each Preferred Stock Director so elected shall terminate. Any Preferred Stock Director may be removed at any time with or without cause by, and shall not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding shares of the Series D Preferred Stock when they have the voting rights described above (voting separately as a class with all other series of Parity Preferred upon which like voting rights have been conferred and are exercisable). So long as a Preferred Dividend Default shall continue, any vacancy in the office of a Preferred Stock Director may be filled by written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of Series D Preferred Stock when they have the voting rights described above (voting separately as a class with all other series of Parity Preferred upon which like voting rights have been conferred and are exercisable). The Preferred Stock Directors shall each be entitled to one vote

per director on any matter.

So long as any shares of Series D Preferred Stock remain outstanding, the Company will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of the Series D Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class), (a) authorize or create, or increase the authorized or issued amount of, any class or series of capital stock ranking senior to the Series D Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up or reclassify any authorized capital stock of the Company into such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares; or (b) amend, alter or repeal the provisions of the Articles or the Designating Amendment, whether by merger, consolidation or otherwise (an "Event"), so as to materially and adversely affect any right, preference, privilege or voting power of the Series D Preferred Stock the holders thereof; provided, however, with respect to the occurrence of any Event set forth in (b) above, so long as the Series D Preferred Stock remains outstanding with the terms thereof materially unchanged, taking into account that upon the occurrence of an Event the Company may not be the surviving entity, the occurrence of any such Event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting power of holders of the Series D Preferred Stock and provided further that (i) any increase in the amount of the authorized Preferred Stock or the creation or issuance of any other series of Preferred Stock, or (ii) any increase in the amount of authorized shares of such series, in each case ranking on a parity with or junior to

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the Series D Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series D Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

CONVERSION

The Series D Preferred Stock is not convertible into or exchangeable for any other property or securities of the Company, except that the shares of Series D Preferred Stock may be exchanged for shares of Excess Stock in order to ensure that the Company remains qualified as a REIT for federal income tax purposes. See "Restrictions on Transfers of Capital Stock" in the accompanying Prospectus.

RESTRICTIONS ON OWNERSHIP

For information regarding restrictions on ownership of the Series D Preferred Stock, see "Restrictions on Transfers of Capital Stock" in the accompanying Prospectus.

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CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following summary of certain federal income tax considerations is based on current law, is for general information only, and is not tax advice. This discussion does not purport to address all aspects of taxation that may be relevant to particular stockholders in light of their personal investment or tax circumstances, or to certain types of stockholders (including insurance companies, tax exempt organizations, financial institutions or broker dealers, foreign corporations and persons who are not citizens or residents of the United States) subject to special treatment under the federal income tax laws.

The Company intends to operate in a manner that will enable it to qualify as a REIT under the Code. Although management of the Company believes that the Company is organized and operates in such a manner, no assurance can be given that the Company qualifies or will remain qualified as a REIT. Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The determination of various factual matters and circumstances not entirely within the Company's control may affect the Company's ability to qualify as a REIT. If the Company fails to qualify as a REIT, it will be subject to Federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. In addition, unless entitled to relief under certain statutory provisions, the Company will be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost. The additional tax would significantly reduce the cash flow available for distribution to stockholders. This Prospectus Supplement does not address the taxation of the Company or the impact on the Company of its election to be

taxed as a REIT. The discussion set forth below assumes that the Company qualifies as a REIT under the Code.

TAXATION OF TAXABLE DOMESTIC STOCKHOLDERS

Dividends and Other Distributions. As long as the Company qualifies as a REIT, distributions made to the Company's taxable domestic stockholders (including holders of Series D Preferred Stock) out of current or accumulated earnings and profits (and not designated as capital gain dividends) will be taken into account by them as ordinary income and will not be eligible for the dividends received deduction for corporations. For purposes of determining whether distributions on the Series D Preferred Stock are out of current or accumulated earnings and profits, the earnings and profits of the Company will be allocated first to the Company's outstanding Series C Preferred Stock and Series D Preferred Stock on a pari passu basis, next to the Company's outstanding Series A Convertible Preferred Stock and Series B Convertible Preferred Stock on a pari passu basis, and then allocated to the Company's Common Stock. Distributions that are designated as capital gain dividends will be taxed as long-term capital gains (to the extent they do not exceed the Company's actual net capital gain for the taxable year) without regard to the period for which the holder has held its Series D Preferred Stock. However, corporate holders may be required to treat up to 20% of certain capital gain dividends as ordinary income. Distributions in excess of current and accumulated earnings and profits will not be taxable to a holder to the extent that they do not exceed the adjusted tax basis of the holder's shares, but rather will reduce the adjusted basis of such shares. To the extent that such distributions exceed the adjusted basis of a holder's shares they will be included in income as long-term capital gain (or short-term capital gain if the shares have been held for one year or less) assuming the shares are a capital asset in the hands of the holder. In addition, any dividend declared by the Company in October, November or December of any year payable to a stockholder of record on a specified date in any such month shall be treated as both paid by the Company and received by the stockholder on December 31 of such year, provided that the dividend is actually paid by the Company during January of the following calendar year. Stockholders may not include in their individual income tax returns any net operating losses or capital losses of the Company.

Sale or Redemption of Series D Preferred Stock. On the sale of shares of the Series D Preferred Stock, gain or loss will be recognized by the holder in an amount equal to the difference between (i) the amount of cash and fair market value of any property received on such sale, and (ii) the holder's adjusted basis in the Series D Preferred Stock. Such gain or loss will be capital gain or loss if the shares of the Series D Preferred Stock are held as capital assets, and will be long-term gain or loss if such shares are held for more than one year. In general, any loss upon a sale or exchange of shares by a holder who has held such shares for six

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months or less (after applying certain holding period rules), will be treated as a long-term capital loss to the extent of distributions from the Company required to be treated by such holder as long-term capital gain.

A redemption of the Series D Preferred Stock will be treated under Section 302 of the Code as a distribution that is taxable at ordinary income tax rates as a dividend (to the extent of the Company's current or accumulated earnings and profits), unless the redemption satisfies certain tests set forth in Section 302(b) of the Code enabling the redemption to be treated as a sale of the Series D Preferred Stock. The redemption will satisfy such tests if it (i) is "substantially disproportionate" with respect to the holder (which will not be the case if only the Series D Preferred Stock is redeemed, since it generally does not have voting rights), (ii) results in a "complete termination" of the holder's stock interest in the Company, or (iii) is "not essentially equivalent to a dividend" with respect to the holder, all within the meaning of Section 302(b) of the Code. In determining whether any of these tests have been met, shares considered to be owned by the holder by reason of certain constructive ownership rules set forth in the Code, as well as shares actually owned, must generally be taken into account. Because the determination as to whether any of the alternative tests of Section 302(b) of the Code will be satisfied with respect to any particular holder of the Series D Preferred Stock depends upon the facts and circumstances at the time that the determination must be made, prospective investors are advised to consult their own tax advisors to determine such tax treatment.

If a redemption of the Series D Preferred Stock is treated as a distribution that is taxable as a dividend, the amount of the distribution will be measured by the amount of cash and the fair market value of any property received by the stockholders. The stockholder's adjusted tax basis in such redeemed Series D Preferred Stock will be transferred to the holder's remaining stockholdings in the Company. If, however, the stockholder has no remaining stockholdings in the Company, such basis could be transferred to a related person or it may be lost.

BACKUP WITHHOLDING

The Company will report to its domestic stockholders and the Internal Revenue Service (the "IRS") the amount of dividends paid during each calendar year, and the amount of tax withheld, if any. Under the backup withholding rules, a stockholder may be subject to backup withholding at the rate of 31% with respect to dividends paid and redemptions unless such holder (a) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (b) provides a taxpayer identification number, certifies that the holder is not subject to backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. A stockholder that does not provide the Company with his correct taxpayer identification number may also be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the stockholder's income tax liability.

TAXATION OF CERTAIN TAX-EXEMPT STOCKHOLDERS

Generally, a tax-exempt investor that is exempt from tax on its investment income, such as an individual retirement account ("IRA") or a Section 401(k) plan, that holds the Series D Preferred Stock as an investment will not be subject to tax on dividends paid by the Company. However, if such tax-exempt investor is treated as having purchased its Series D Preferred Stock with borrowed funds, some or all of its dividends from the Series D Preferred Stock will be subject to tax. In addition, under some circumstances certain pension plans (including Section 401(k) plans but not, for example, IRAs) that own more than 10% (by value) of the Company's outstanding capital stock, including Common Stock, could be subject to tax on a portion of their Series D Preferred Stock dividends even if their Series D Preferred Stock is held for investment and is not treated as acquired with borrowed funds.

OTHER TAX CONSEQUENCES

The Company and its stockholders may be subject to state or local taxation in various state or local jurisdictions, including those in which it or they own property, transact business or reside. The state and local tax treatment of the Company and its stockholders may not conform to the federal income tax consequences discussed above. Consequently, prospective stockholders should consult their own tax advisors regarding the effect of state and local tax laws on an investment in the Company.

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UNDERWRITING

Subject to the terms and conditions in an underwriting agreement between the Company and the Underwriters (the "Underwriting Agreement"), the Company has agreed to sell to each of the Underwriters named below, and each of such Underwriters, for whom PaineWebber Incorporated and Morgan Stanley & Co. Incorporated are acting as representatives (the "Representatives"), has severally agreed to purchase from the Company, the respective number of shares of Series D Preferred Stock set forth opposite its name below. Pursuant to the terms of the Underwriting Agreement, the Underwriters are obligated to purchase all of such shares of the Series D Preferred Stock if any are purchased.

<TABLE>
<CAPTION>

UNDERWRITERS -----	NUMBER OF SHARES TO BE PURCHASED -----
<S>	<C>
PaineWebber Incorporated.....	1,200,000
Morgan Stanley & Co. Incorporated.....	1,200,000
Bear, Stearns & Co. Inc.	100,000
Donaldson, Lufkin & Jenrette Securities Corporation.....	100,000
Goldman, Sachs & Co.	100,000
Legg Mason Wood Walker, Incorporated.....	100,000
Lehman Brothers Inc.	100,000
Prudential Securities Incorporated.....	100,000

Total	3,000,000
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The Representatives have advised the Company that the Underwriters propose initially to offer the shares of the Series D Preferred Stock directly to the public at the public offering price set forth on the cover page of this Prospectus Supplement, and to certain dealers at such price less a concession not in excess of \$0.50 per share. The Underwriters may allow, and such dealers may reallow, a discount not in excess of \$0.40 per share on sales to certain other dealers after the public offering of the Series D Preferred Stock.

The Company has granted to the Underwriters an option, exercisable during the 30-day period after the date of this Prospectus Supplement, to purchase up to 450,000 additional shares of the Series D Preferred Stock to cover over-allotments, if any, at the public offering price, less the underwriting

discounts and commissions set forth on the cover page of this Prospectus Supplement.

Pursuant to the Underwriting Agreement, the Company has agreed to indemnify the Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the Underwriters may be required to make in respect thereof.

Application has been made to list the Series D Preferred Stock on the NYSE and the PCX. If approved, trading of the Series D Preferred Stock on the NYSE and the PCX is expected to commence within the 30-day period after initial delivery of the Series D Preferred Stock. The Representatives have advised the Company that they intend to make a market in the Series D Preferred Stock prior to the commencement of trading on the NYSE and the PCX. The Representatives will have no obligation to make a market in the Series D Preferred Stock, however, and may cease market-making activities, if commenced, at any time.

Until the distribution of the Series D Preferred Stock is completed, rules of the Securities and Exchange Commission may limit the ability of the Underwriters to bid for and purchase the Series D Preferred Stock. As an exception to these rules, the Underwriters are permitted to engage in certain transactions that stabilize the price of the Series D Preferred Stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Series D Preferred Stock.

If the Underwriters create a short position in the Series D Preferred Stock in connection with this offering, i.e., if they sell more shares of the Series D Preferred Stock than are set forth on the cover page of this Prospectus Supplement, the Underwriters may reduce that short position by purchasing shares of the Series D Preferred Stock in the open market. The Underwriters may also elect to reduce any short position by exercising all or part of the over-allotment option described above.

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In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases.

Neither the Company nor any of the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above might have on the price of the Series D Preferred Stock. In addition, neither the Company nor any of the Underwriters makes any representation that the Underwriters will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

In the ordinary course of business, the Underwriters and their affiliates have in the past engaged, and may in the future engage, in investment banking transactions with the Company.

LEGAL MATTERS

Certain legal matters will be passed upon for the Company by Goodwin, Procter & Hoar LLP, Boston, Massachusetts as securities and tax counsel to the Company and for the Underwriters by O'Melveny & Myers LLP, San Francisco, California.

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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE. THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS DO NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE REGISTERED SECURITIES TO WHICH THEY RELATE. THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS DO NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL.

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3,000,000 SHARES

[LOGO] BAY
APARTMENT
COMMUNITIES, INC.

8.00% SERIES D CUMULATIVE REDEEMABLE
PREFERRED STOCK

PROSPECTUS SUPPLEMENT

PAINWEBBER INCORPORATED

MORGAN STANLEY DEAN WITTER

DECEMBER 15, 1997

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