

5,000,000 SHARES

BAY APARTMENT COMMUNITIES, INC.

LOGO

COMMON STOCK

Bay Apartment Communities, Inc. (the "Company") is a fully integrated apartment company that has engaged in apartment community acquisition, development, construction, reconstruction, marketing, leasing and management for over 18 years. The Company owns and operates upscale apartment communities with extensive landscaping and amenities, a broad range of tenant services, well-maintained common facilities and convenient access to shopping areas, transportation or other services.

As of June 30, 1996, the Company owned, or held substantially all of the ownership interests in, and managed 27 multifamily communities (the "Communities") containing 7,093 apartment homes. The Company recently acquired four additional apartment communities and has entered into contracts to acquire two additional apartment communities, containing an aggregate of 1,409 apartment homes (the "Current Acquisition Communities"), and owns or has under contract four land parcels on which it currently intends to construct apartment communities containing an additional 1,574 apartment homes (the "Current Development Communities"). The Company has already commenced development of one of the Current Development Communities, which will be a 300 apartment home community expected to be completed in the first quarter of 1997. If the Company acquires all of the Current Acquisition Communities and develops all of the Current Development Communities as currently contemplated, it will increase its apartment homes portfolio by 2,983 apartment homes, or by 42%. Almost all of the Communities are located in Northern California, primarily in the San Francisco Bay Area. See "Performance Since the Initial Offering -- Acquisition and Development Activity" and "The Communities."

All the shares of common stock offered hereby (the "Shares") are being sold by the Company (the "Offering"). The outstanding shares of the Company's common stock (the "Common Stock") are, and the Shares will be, listed on the New York Stock Exchange (the "NYSE") and the Pacific Stock Exchange (the "PSE") under the symbol "BYA." Since the Company's initial public offering in March, 1994, it has paid regular quarterly dividends to the holders of the outstanding shares of Common Stock and has increased dividends twice. On July 30, 1996, the reported last sale price of the Common Stock on the NYSE was \$24 3/4 per share.

SEE "RISK FACTORS" ON PAGE S-15 FOR CERTAIN FACTORS RELEVANT TO AN INVESTMENT IN THE SHARES.

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.

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	PRICE TO	UNDERWRITING	
	PUBLIC	DISCOUNTS AND	
		COMMISSIONS (1)	PROCEEDS TO
			COMPANY (2)

Per Share.....	\$24.75	\$1.36	\$23.39

Total.....	\$123,750,000	\$6,511,680	\$117,238,320

Total Assuming Full Exercise of Over-Allotment (3).....	\$142,312,500	\$7,531,680	\$134,780,820

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- (1) The Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. The Underwriters have agreed to sell 212,000 Shares to the President and certain Directors of the Company at the Offering price without the payment by the Company of an underwriting discount or commission. See "Underwriting."
- (2) Before deducting estimated expenses of \$650,000 payable by the Company.
- (3) The Company has granted the Underwriters a 30-day option to purchase up to an additional 750,000 shares of Common Stock to cover over-allotments, if

any. See "Underwriting."

The Shares offered hereby are offered by the several Underwriters, subject to prior sale, when, as and if delivered to and accepted by them and subject to approval of certain legal matters by counsel for the Underwriters. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the Shares offered hereby will be made in New York, New York on or about August 5, 1996.

PAINWEBBER INCORPORATED

DEAN WITTER REYNOLDS INC.

A.G. EDWARDS & SONS, INC.

SMITH BARNEY INC.

THE DATE OF THIS PROSPECTUS SUPPLEMENT IS JULY 30, 1996.

[LOGO] BAY APARTMENT COMMUNITIES, INC.

Community Location Maps

[MAP]

[MAP]

Increasing Demand

Limited Home Affordability

Limited Supply

Historical and Projected
Population Growth in the
Company's Primary Markets

Contributes to Increased
Number of Rental
Households

Multifamily
Construction
Permits Issued
in the Company's
Primary Markets

[GRAPH]

[GRAPH]

[GRAPH]

THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SHARES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, THE PACIFIC STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

S-2

[LOGO] BAY APARTMENTS COMMUNITIES, INC.

[PHOTO]

Barrington Hills, Hayward

[PHOTO]

Alicante, Fremont

[PHOTO]

Apartment Home Interior

[PHOTO]

Carriage Square, San Jose

[PHOTO]

Canyon Creek, Campbell

[PHOTO]

[PHOTO]

Community Fitness Center

Blairmore, Rancho Cordova

[PHOTO]

[PHOTO]

Reflections, Fresno

Community Business Center

PROSPECTUS SUPPLEMENT SUMMARY

The following summary is qualified in its entirety by the more detailed information included elsewhere in this Prospectus Supplement and the accompanying Prospectus or incorporated herein and therein by reference. Unless otherwise indicated, the information contained in this Prospectus Supplement assumes (i) that all net proceeds of the Offering are used to acquire the Current Acquisition Communities and repay borrowings under the Company's unsecured line of credit and (ii) that the Underwriters' over-allotment option is not exercised. Unless the context otherwise requires, all references in this Prospectus Supplement to the "Company" refer to Bay Apartment Communities, Inc. and its subsidiaries on a consolidated basis. This Prospectus Supplement contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company's actual results could differ materially from those set forth in the forward-looking statements. Certain factors that might cause such a difference are discussed in the section entitled "Risk Factors" starting on page S-15 of this Prospectus Supplement. The Company cautions the reader, however, that the factors discussed in that section may not be exhaustive.

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 (i.e., Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Sonoma, Santa Clara and Solano Counties). The Company has been in business for over 18 years and its senior executives have overseen the development, acquisition or management of over 30,000 apartment homes. 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 California.

The Company is a self-administered and self-managed real estate investment trust (a "REIT") that, as of June 30, 1996, owned, or held substantially all of the ownership interests in, and managed 27 multifamily communities (the "Communities") containing 7,093 apartment homes. On average, the Communities contain 263 apartment homes. The largest Community has 544 apartment homes and the smallest has 135 apartment homes. As of June 30, 1996, the Communities had an average monthly rental rate per apartment home of approximately \$940 and an average physical occupancy rate of 97.9%. The average age of the Communities is 10 years. In addition to the Communities, the Company recently acquired four additional apartment communities and has under contract two additional apartment communities, containing in the aggregate 1,409 apartment homes (the "Current Acquisition Communities"). The Company also owns or has under contract four land parcels on which it currently intends to develop four apartment communities with an aggregate of 1,574 apartment homes (the "Current Development Communities"). The Company is currently developing a 300 apartment home community on one of these land parcels, which it expects to complete in the first quarter of 1997. If all of the Current Acquisition Communities are acquired and the Current Development Communities are developed as currently anticipated, the Company will increase its apartment homes portfolio by 2,983 apartment homes, or by 42%.

The Communities are located primarily in the San Francisco Bay Area, where the Company believes that apartment communities provide attractive long-term investments. The high cost of home ownership and current economic conditions in the San Francisco Bay Area, including limited new apartment construction, continued population and household growth, and high income levels, make the upscale apartment home community market particularly attractive. See "The Markets -- San Francisco Bay Area."

Since its initial public offering in March, 1994 (the "Initial Offering"), the Company has pursued an aggressive growth strategy, developing and building new apartment communities as well as acquiring and rebuilding well-located but poorly maintained and managed communities. From the Initial Offering through

June 30, 1996, the Company completed the acquisition of 2,957 apartment homes in 12 Communities, representing a total investment of approximately \$190.2 million. The Company had also invested approxi-

S-3

mately \$10.9 million in construction and reconstruction programs at these Communities as of March 31, 1996 and has budgeted an additional \$9.0 million to be invested principally in 1996 and 1997. Additionally, the Company has completed the development and construction of three Communities at a total cost of approximately \$87.6 million: Larkspur Woods, a 232 apartment home community in Sacramento, California (which the Company purchased in a partially completed condition and subsequently completed and sold at a \$2.4 million profit); Carriage Square, a 324 apartment home community located in San Jose, California; and Canyon Creek, a 348 apartment home community in Campbell, California. Carriage Square and Canyon Creek are both currently approximately 99% leased and occupied.

The Company also seeks to grow internally by improving cash flow from existing Communities through intensive, hands-on property management that focuses on quality property maintenance and on resident satisfaction and retention, increases in rents and occupancy levels, and control of operating expenses. For example, the 13 Communities which the Company owned at the Initial Offering and still owned on March 31, 1996 had, in the aggregate, revenue increases of 11.67% for the period of seven quarters from the Company's first full calendar quarter after the Initial Offering (the second quarter of 1994) through the first quarter of 1996. For the same period these Communities had increases in aggregate expenses of 1.71% and increases in earnings before interest, taxes, depreciation and amortization ("EBITDA") in the aggregate of 15.99%. On an annualized basis for the seven quarters ended March 31, 1996, increases in revenues, expenses and EBITDA for these 13 Communities were 6.5%, 1.0% and 8.8%, respectively.

The Company elected to be taxed as a REIT for federal income tax purposes for the year ending December 31, 1995 and intends to continue to operate in a manner that will enable it to qualify as a REIT. 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 executive offices are located at 4340 Stevens Creek Boulevard, Suite 275, San Jose, California 95129 and its telephone number is (408) 983-1500.

THE SAN FRANCISCO BAY AREA MARKETS

The Company believes that its Communities, 25 out of 27 of which are located in the San Francisco Bay Area, are attractive long-term investments because of the high demand for and the low supply of apartment homes coupled with the high cost and relative unaffordability of housing alternatives in the San Francisco Bay Area. Apartment demand in the San Francisco Bay Area markets has historically been relatively strong, and has been particularly strong over the past 18 months. The Company believes that demand for apartment homes in the foreseeable future will remain strong as a result of the anticipated continued growth in jobs and household formations, particularly rental households, in the San Francisco Bay Area. Moreover, for the past few years, new apartment home construction in the San Francisco Bay Area has been relatively low and the Company believes that it will remain so for the foreseeable future.

The Company's current primary markets in the San Francisco Bay Area are the San Francisco, Santa Clara, San Mateo and Alameda Counties (the "Primary Markets"). The Company believes that the Primary Markets will continue to be attractive markets in which to develop and build, or acquire and rebuild, apartment communities for long-term investment. This belief is based upon the following factors: (i) increasing rental rates, (ii) increasing demand for rental households, (iii) the limited supply of new apartment homes, and (iv) the high cost of alternatives to apartment homes.

Increasing Rental Rates. Rental demand, as evidenced by market rental rates for apartments in the San Francisco Bay Area, and particularly in the Primary Markets, has increased significantly over the past 18 months. The following is a summary of certain information set forth in a report prepared by Ann Roulac and

S-4

Company, which is based on a survey of property managers of 100 institutional quality apartment communities in the Primary Markets (the "Roulac Report"):

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MONTHLY RENTAL RATES ON NEW LEASES						
COUNTY	WEIGHTED AVERAGE EFFECTIVE RENTS (1)	WEIGHTED AVERAGE EFFECTIVE RENTS PSF (1)	RENT INCREASES ON NEW LEASES		VACANCY RATES AS OF	
			1995	FIRST HALF OF 1996	1/1/96	6/30/96

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Alameda.....	\$ 1,019	\$1.19	5.26%	5.93%	1.44%	0.40%
San Francisco.....	\$ 1,382	\$1.92	8.12%	11.18%	2.30%	0.58%
San Mateo.....	\$ 1,254	\$1.58	5.97%	12.88%	1.04%	0.32%
Santa Clara.....	\$ 1,321	\$1.55	16.46%	12.04%	0.36%	0.42%

(1) The Roulac Report defines "Effective Rent" as the average asking rent for a particular community less the value of all concessions, including, without limitation, moving allowances or discounts.

The Company believes that the combination of increasing rental rates and declining vacancy rates provides an opportunity for future revenue growth. However, there are practical limitations on the Company's ability to increase rental rates for existing residents and the Company currently has a policy of limiting rent increases for most lease renewals by existing residents to no more than 10% per annum. In addition, two of the Communities, Village Square and Sunset Towers, are subject to rent control restrictions. Consequently, the actual market rates for apartments in the Primary Markets have recently risen more rapidly than the Company's rental rates. As a result, as of June 30, 1996, the difference between the revenues generated by the Company's existing leases and current market rents, known within the industry as the "loss to lease," was approximately 8%, or \$588,000 per month and more than \$7.0 million per year.

Increasing Demand. The demand for apartment homes in the San Francisco Bay Area, and particularly in the Primary Markets, has been growing substantially over the past 18 months. According to the Rosen Consulting Group, the population of the San Francisco Bay Area (approximately 6.3 million people) and the Primary Markets (approximately 4.4 million people) is expected to grow at a rate in excess of 1% per year, or approximately 68,000 and 50,000 people per year, respectively, from 1995 through 2000. In addition, the Rosen Consulting Group estimates that over the next five years the San Francisco Bay Area will add on average approximately 33,000 new households per year, 16,000 of which on average will be formed each year in the Primary Markets. According to U.S. Census Bureau 1990 data, approximately 44% of the households in the San Francisco Bay Area and 47% of the households in the Primary Markets were rental households. Based on these percentages, which the Company believes are consistent with the current percentage of rental households, the San Francisco Bay Area is expected to add on average approximately 15,000 new rental households each year between 1995 and 2000 and the Primary Markets are expected to add on average approximately 8,000 new rental households each year during the same period. In addition, the recent job surge in high technology companies in Silicon Valley, located in the southern portion of the San Francisco Bay Area, has contributed to this rental household growth. The Rosen Consulting Group estimates that non-agricultural jobs in Santa Clara County, which is the center of Silicon Valley, will grow approximately 5.4%, representing approximately 45,000 jobs, in 1996 alone.

Limited Supply. Notwithstanding the steady increase in demand for apartment homes in the San Francisco Bay Area and the Primary Markets, the supply of new rental housing in the San Francisco Bay Area and in the Primary Markets has failed to keep pace with demand over the past 10 years. According to the Rosen Consulting Group, the number of multifamily permits issued in the San Francisco Bay Area declined from 25,197 in 1986 to an expected 5,800 in 1996, or approximately 77%. During the same period, the number of multifamily permits issued in the Primary Markets declined from 14,548 to an expected 3,461 in 1996, or approximately 76%. The decline in multifamily permits issued is attributable to a number of factors, including (i) the shortage and high cost of available land, (ii) strict public planning procedures, (iii) high governmental fees, and (iv) high development and construction costs. These factors, as well as others, constrain the supply of rental housing in the San Francisco Bay Area and in the Primary Markets.

S-5

High-Cost Alternatives. The imbalance between the demand for and the supply of apartment homes is not necessarily alleviated by alternative housing opportunities, which are very expensive in the San Francisco Bay Area and in the Primary Markets. According to the Rosen Consulting Group, the median cost of a single-family home in the San Francisco Bay Area and in the Primary Markets, on a weighted average basis, is expected to be approximately \$250,719 and \$259,315, respectively, in 1996, compared to an estimated \$117,500 for the U.S. for 1996. Although the mean household income in 1996 in the San Francisco Bay Area and in the Primary Markets is estimated to be \$84,040 and \$87,354, respectively, compared to an estimated mean household income for the U.S. of \$46,027 in 1996, only 36% of the households in the San Francisco Bay Area and 41% in the Primary Markets could afford the median priced single-family home in 1995.

PERFORMANCE SINCE THE INITIAL OFFERING

Since the Initial Offering, the Company has achieved strong financial results from both external and internal growth. The Company has aggressively pursued external growth through its strategy of acquiring and substantially

reconstructing existing apartment communities as well as developing new communities. The Company has enhanced returns on its existing Communities in large part through rental rate increases, which reflect the high demand for upscale apartment homes in the Primary Markets, and in part through favorable tax-exempt financing. In view of the Company's activities with the Current Acquisition Communities and the Current Development Communities, the Company believes that it is well-positioned to continue to benefit from current and projected favorable market conditions in its Primary Markets.

FINANCIAL PERFORMANCE

Results of Operations. The Company's funds from operations ("FFO") (defined as net income plus depreciation and amortization, excluding depreciation for assets other than real estate and amortization of recurring financial costs) per share has increased at a rate of approximately 12.0% per annum from the Initial Offering through March 31, 1996. In its first full quarter as a public company, the second quarter of 1994, the Company reported FFO per share of \$0.41. In the first quarter of 1996, the Company reported FFO per share of \$0.50. The Company's FFO per share has grown for several reasons: (i) strong internal growth; (ii) accretive acquisitions of Communities; and (iii) positive leverage from long-term, fixed-rate, tax-exempt debt.

- Internal Growth. The Company has had the benefit of strong internal growth since the Initial Offering. For example, on its initial 13 Communities (i.e., the "same store" Communities), the Company has had same store EBITDA growth from the end of the second quarter of 1994 to the end of the first quarter of 1996, a period of seven quarters, of 15.99%. This EBITDA growth is due to revenue increases of 11.67% during this period. In addition, average same store physical occupancy improved from 95.9% to 97.1% from the end of the second quarter of 1994 to the end of the first quarter of 1996. During the same period, expenses increased 1.71%. On an annualized basis for the seven quarters ended March 31, 1996, increases in revenues, expenses and EBITDA for these 13 Communities were 6.5%, 1.0% and 8.8%, respectively.
- Accretive Additions. From the Initial Offering through June 30, 1996, the Company has added 3,629 apartment homes in 14 Communities, consisting of 2,957 apartment homes in 12 Communities which it acquired and rebuilt and 672 apartment homes in two Communities which it developed and built. The estimated EBITDA in 1996 as a percentage of cost is 9.9% for the portfolio of 14 Communities, 9.6% on the 12 acquired Communities and 10.5% on the two newly developed Communities. See "Prospectus Supplement Summary -- Performance Since the Initial Offering -- Acquisition and Development Activity" for a description of the calculation of EBITDA on these Communities.
- Positive Leverage. From the Initial Offering through June 30, 1996, the Company has obtained \$110.2 million of long-term, tax-exempt bond debt. Of this debt, \$89.4 million is fully amortizing 30-year bonds with an all-inclusive fixed interest rate for the first 15 years of 6.48% per annum. The remaining \$20.8 million of bond debt has a remaining 22-year life and bears interest at the 30-day London Interbank Offered Rate ("LIBOR"), reset weekly, plus 0.25%, which, including financing costs, is

S-6

currently approximately 6.25% per annum. The Company intends to fix the interest rate on these floating rate bonds in the third quarter of 1996, subject to market conditions. This low-cost financing increases the return on the Company's acquisition and development communities.

Increased Distributions and Lowered Payout Ratio. The Company's distribution policy is to increase distributions at a rate of growth at or slightly above inflation, but less than its growth in FFO per share. The Company's FFO per share increased at a rate of approximately 12% per annum from the Initial Offering through March 31, 1996. The Company has increased its quarterly distributions from \$0.38 to \$0.39 per share in the second quarter of 1995 and from \$0.39 to \$0.40 per share in the first quarter of 1996, which represents an increase of approximately 3.0% per annum over its beginning annualized distribution based on a seven quarter period. The Company's distribution policy has resulted in a reduction in its distributions as a percentage of its FFO from 91.7% in the second quarter of 1994 to 79.8% in the first quarter of 1996. See "Prospectus Supplement Summary -- Summary Financial and Operating Data."

ACQUISITION AND DEVELOPMENT ACTIVITY

Acquisition and Repositioning of Communities. Concurrently with the Initial Offering, the Company acquired five Communities, with a total of 1,300 apartment homes, for a combined acquisition cost of approximately \$85.8 million. As of March 31, 1996, the Company had invested approximately \$9.5 million to substantially reconstruct these Communities and expects to invest another \$475,000 in 1996. The Company's repositioning program varied for each Community and included repairing and repainting building exteriors, repairing or replacing foundations, roofs and plumbing and electrical systems, rebuilding apartment

home interiors, adding garages, upgrading landscaping, removing and adding swimming pools, remodeling leasing and recreational facilities, and adding electronic gate systems. After completing construction of the Larkspur Woods Community, the Company sold the property for a gain of approximately \$2.4 million, representing an approximately 16% profit over the amount it had invested in the property. In the aggregate, the remaining four Communities that were acquired concurrently with the Initial Offering and that are still owned by the Company have projected EBITDA for 1996 as a percentage of total cost of approximately 9.6% and projected EBITDA, less interest on tax-exempt financing, for 1996, as a percentage of total cost, less tax-exempt financing, of approximately 10.2%. Projected EBITDA as a percentage of total cost for the four Communities is calculated by dividing total actual EBITDA through April, 1996 plus total projected EBITDA for the remainder of 1996 by total actual cost. For purposes of the foregoing calculation, total cost consists of all capitalized costs incurred to acquire and reposition the four Communities, determined in accordance with generally accepted accounting principles ("GAAP").

From the Initial Offering through June 30, 1996, the Company acquired 12 Communities, with a total of 2,957 apartment homes, for a combined acquisition cost of approximately \$190.2 million. As of March 31, 1996, the Company had invested an aggregate of approximately \$10.9 million in repositioning programs at the nine Communities acquired prior to 1996 and currently intends to invest an additional \$4.1 million, principally in 1996 and 1997, to further reposition these Communities. For the three Communities acquired in May, 1996 (Park Centre, Parkside Commons and Sunset Towers) the Company intends to invest \$4.9 million, principally in 1996 and 1997, to reposition the Communities. In the aggregate, these 12 Communities have a projected EBITDA for 1996 as a percentage of total cost of approximately 9.6% and a projected EBITDA, less interest on tax-exempt financing, for 1996, as a percentage of total cost, less tax-exempt financing, of approximately 10.9%. Projected EBITDA as a percentage of total cost for all of the Communities purchased prior to 1996, with the exception of the Sea Ridge and Rivershore Communities, is calculated by dividing the total actual EBITDA through April, 1996, plus projected EBITDA for the remainder of 1996, by the total actual cost of the Communities as of March 31, 1996. Projected EBITDA as a percentage of total cost for the Sea Ridge and Rivershore Communities, which were both under significant reconstruction during the first quarter of 1996 (Sea Ridge was largely vacated during the first quarter of 1996), is calculated by combining pro forma EBITDA for January, February and March, 1996 (based on actual EBITDA for April, 1996), actual EBITDA for April, 1996, plus total projected EBITDA for the remainder of 1996, and dividing it by the total actual cost of the two Communities as of March 31, 1996. Projected EBITDA as a percentage of total cost for the Communities purchased in 1996 is calculated by dividing the total EBITDA anticipated after the related

S-7

Communities are rebuilt and restabilized by the total anticipated cost of the related Communities. The Communities purchased in 1996 will be considered stabilized in the first calendar month after the related Community has completed its planned reconstruction and has a weighted average physical occupancy of at least 95%. For purposes of the foregoing calculations, total cost consists of all capitalized costs incurred or, with respect to Communities acquired in 1996, projected to be incurred, as the case may be, to acquire and rebuild these Communities, determined in accordance with GAAP.

There can be no assurance that the Company's budgets, leasing, occupancy or earnings estimates used to calculate projected EBITDA and total costs will be realized. The failure to achieve any one or more of such estimates could significantly reduce the Company's projected EBITDA or increase total cost for the Communities. EBITDA should not be construed as an alternative to operating income, determined in accordance with GAAP, as an indicator of the Company's operating performance, or as an alternative to cash flows from operating, investing and financing activities, determined in accordance with GAAP, as a measure of the Company's liquidity or ability to meet its cash needs. The Company intends to update these projections from time to time to the extent that the Company believes there may be or has been a material change in the projections on an aggregate basis. Future acquisitions will likely have different budgets, leasing, occupancy and earnings estimates and the investment returns on future acquisitions may not be comparable to the projected yields on these Communities. See "Risk Factors -- Development and Acquisition Risks" and "-- Real Estate Investment Risks" for certain factors that could prevent the Company from achieving its projected EBITDA as a percentage of total cost for these Communities.

Completed Development Communities. At the Initial Offering, the Company owned one land parcel on which it developed the Carriage Square Community and, shortly after the Initial Offering, acquired a second land parcel on which it developed the Canyon Creek Community. Carriage Square (formerly known as Santa Teresa), is a 324 apartment home community located in San Jose, CA. The Company completed construction of this Community in September, 1995 at a total cost of approximately \$36.8 million and it reached stabilized occupancy in October, 1995. Canyon Creek (formerly known as Creekside), is a 348 apartment home community located in Campbell, CA. The Company completed construction of this Community in December, 1995 at a total cost of approximately \$35.6 million and it reached stabilized occupancy in the same month. The Company has arranged

30-year, fully amortizing, tax-exempt bond financing for Canyon Creek in the amount of \$38.8 million, which has an all-inclusive interest rate of 6.48% per annum fixed for 15 years.

At the time of the Initial Offering, the Company projected that EBITDA, expressed as a percentage of total projected capitalized costs, for Carriage Square and Canyon Creek would be 9.6% and 9.7%, respectively, on an unleveraged basis in the first year following stabilized occupancy. Carriage Square and Canyon Creek currently have a total projected EBITDA for 1996 as a percentage of total actual cost of approximately 10.2% and 10.8%, respectively, for a weighted average of 10.5%. These Communities have a weighted average total projected EBITDA, less interest on tax-exempt financing, for 1996, as a percentage of total actual cost, less tax-exempt financing, of approximately 15.1%. Projected EBITDA as a percentage of total cost is calculated by dividing total actual EBITDA through April, 1996 plus total projected EBITDA for the remainder of 1996 for these two Communities by the total actual cost for these two Communities. Total actual cost includes all capitalized costs incurred to develop these Communities, determined in accordance with GAAP, including land acquisition costs, construction costs, real estate taxes, interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees. There can be no assurance that the Company's budgets, leasing, occupancy or earnings estimates used to calculate projected EBITDA and total cost will be realized. Failure to achieve any one or more of such estimates could significantly reduce the Company's projected EBITDA or increase total cost for these Communities. The Company intends to update these projections from time to time to the extent that the Company believes there may be or has been a material change in the projections on an aggregate basis. See "Risk Factors -- Real Estate Investment Risks."

Current Acquisition Communities. Since June 30, 1996, the Company has acquired four Current Acquisition Communities (Countrybrook, The Fountains, Mill Creek and Villa Marguerite) and has entered into contracts to acquire two other Current Acquisition Communities in the third quarter of 1996 for a combined acquisition cost of approximately \$116.6 million. These six Current Acquisition Communities have a total of 1,409 apartment homes. The closing of one of the Current Acquisition Communities (Channing

S-8

Heights) is subject to certain contingencies. For example, the Company must receive certain third-party consents before acquiring this Current Acquisition Community. These contingencies could prevent the Company from acquiring this Current Acquisition Community. See "Risk Factors -- Development and Acquisition Risks." It is currently anticipated that the purchase of any Current Acquisition Community acquired after the closing of the Offering will be funded with the proceeds of the Offering. The Company anticipates that it will implement repositioning programs at the Current Acquisition Communities consistent with its strategy for previously acquired properties.

In the aggregate, the Current Acquisition Communities have a projected EBITDA as a percentage of total budgeted cost of approximately 10% and a projected EBITDA, less interest on tax-exempt financing, as a percentage of total cost, less tax-exempt financing, of approximately 10.8%. Projected EBITDA as a percentage of total budgeted cost is calculated for the Acquisition Communities by dividing the total projected EBITDA by total budgeted cost of acquisition and repositioning. Projected EBITDA for the Current Acquisition Communities represents gross annual revenues projected to be achieved when the Communities reach stabilized occupancy after the Company's planned reconstruction, based on current rents prevailing in the respective Communities' local markets, less projected stabilized property operating and maintenance expenses, before interest, income taxes, amortization, depreciation and extraordinary items. Stabilized occupancy is defined as the first calendar month following reconstruction in which the Community has a weighted average physical occupancy of at least 95%. There can be no assurance that the Company's budgets, leasing, occupancy or earnings estimates used to calculate projected EBITDA and total costs will be realized. Failure to achieve one or more of such estimates could significantly reduce the Company's projected EBITDA or increase the total cost of the Current Acquisition Communities. The Company intends to update these projections from time to time to the extent that the Company believes that there may be or has been a material change in the projections on an aggregate basis. See "Risk Factors -- Development and Acquisition Risks" for certain factors that could prevent the Company from achieving its projected EBITDA as a percentage of total cost for the Current Acquisition Communities.

The following is a description of the Current Acquisition Communities:

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		DATE ACQUIRED OR EXPECTED TO BE ACQUIRED	APARTMENT HOMES	PURCHASE PRICE ----- (IN MILLIONS)	TOTAL BUDGETED COST (1) ----- (IN MILLIONS)
CURRENT ACQUISITION COMMUNITIES -----		-----	-----	<C>	<C>
<C>	<S>	<C>	<C>	<C>	<C>
1.	Countrybrook(2)	July, 1996	360	\$ 28.8	\$ 31.2

2.	San Jose, CA The Fountains	July, 1996	226	27.8	28.7
3.	San Jose, CA Channing Heights	August, 1996	254	24.9	28.3
4.	San Rafael, CA Mill Creek	July, 1996	258	17.5	19.1
5.	Costa Mesa, CA Villa Marguerite(3)	July, 1996	166	10.1	12.1
6.	Mission Viejo, CA Martinique Gardens	August, 1996	145	7.5	11.8
	Costa Mesa, CA				
	Totals		----- 1,409 -----	----- \$ 116.6 -----	\$131.2

- (1) Total Budgeted Cost includes all capitalized costs projected to be incurred, principally in 1996 and 1997, to acquire and reposition the Current Acquisition Communities, determined in accordance with GAAP.
- (2) As part of the purchase price, the Company assumed approximately \$20.3 million of the seller's tax-exempt bond debt secured by the property, and paid the seller approximately \$7.3 million in operating partnership units of a special purpose limited partnership formed by the Company. The tax-exempt bonds have an all-inclusive fixed interest rate of 7.87% per annum through April, 2002.
- (3) The Company assumed \$7.6 million in long-term, tax-exempt bond debt secured by the property in connection with the acquisition of this Current Acquisition Community. The bonds currently float in a seven-day put bond mode with a current variable interest rate of approximately 5.0% per annum.

S-9

The Company is currently negotiating letters of intent or is in preliminary evaluation periods on various potential additional acquisitions totaling approximately 2,000 existing apartment homes. Several of these acquisitions would require significant renovation programs consistent with the Company's acquisition and repositioning strategy for prior acquisitions. If the Company were to close on all of these acquisitions, the total investment would be approximately \$150 million. No assurances can be given that the Company will acquire all of these properties.

Current Development Communities. The Company has acquired three land parcels, and has under contract one additional land parcel, on which it is building or plans to commence building in the near future the Current Development Communities with a total of 1,574 apartment homes. The following is a description of the Current Development Communities:

<TABLE>
<CAPTION>

PROJECTED					ESTIMATED	
EBITDA/		ACTUAL/		TOTAL		
CURRENT	ESTIMATED	ESTIMATED	ESTIMATED DATE		CONSTRUCTION	
TOTAL DEVELOPMENT	APARTMENT	CONSTRUCTION	ESTIMATED FIRST	OF STABILIZED	COST (1)	
BUDGETED COMMUNITIES	HOMES	INITIATION	OCCUPANCY	OCCUPANCY	-----	
COST (2)					(IN MILLIONS)	---
-----	-----	-----	-----	-----		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1. Rosewalk 11.7% San Jose, CA	300	4th Q, 1995	3rd Q, 1996	2nd Q, 1997	\$ 30.4	
2. Lawrence Expressway Site 10.0% Sunnyvale, CA	709	3rd Q, 1996	2nd Q, 1997	4th Q, 1998	95.7	
3. Stevens Creek Blvd. 9.8% Site San Jose, CA(3)	315	2nd Q, 1997	1st Q, 1998	4th Q, 1998	44.1	
4. The Alameda Site(4) 10.0% San Jose, CA	250	4th Q, 1997	2nd Q, 1998	2nd Q, 1999	32.2	
	-----				-----	---
-- Totals/Weighted Average 10.2%	1,574				\$202.4	
	=====				=====	
=====						

-
- (1) Estimated Total Construction Cost includes interest that is capitalized during the construction period. In accordance with GAAP, the Company capitalizes interest during the construction period on a per-building basis until the building is available for occupancy.
 - (2) Projected EBITDA as a percentage of total budgeted cost represents EBITDA projected to be received in the first calendar year after the 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 rents prevailing in the respective markets, less projected stabilized property operating and maintenance expenses, before interest, income taxes, depreciation and amortization. There is no assurance that projected EBITDA and total budgeted cost will not differ from actual results.
 - (3) The Company currently owns 2.5 acres of this site and has entered into a contract to acquire the contiguous 5.4 acres.
 - (4) The Company has entered into a contract to acquire this site.

The Company is conducting due diligence on The Alameda Current Development Community site and there are certain conditions that must be satisfied prior to acquisition. In addition, the Company must obtain construction permits and other governmental approvals for all of the Current Development Communities, other than Rosewalk which currently has certain of such permits, before commencing development. There can be no assurance that the Company will acquire The Alameda Current Development Community site or that the Company will be able to construct the Current Development Communities as currently contemplated. See "Risk Factors -- Development and Acquisition Risks."

The Company is also negotiating various additional potential development opportunities which collectively could represent the future development of more than 1,000 new apartment homes. If the Company were to acquire and develop all of these land parcels, the Company estimates that total development costs would be approximately \$125 million. No assurance can be given that the Company will acquire any or all of these land parcels, that development will proceed or that, if development does proceed, the land parcels can be developed at or under the Company's cost estimates and within its proposed time-frame.

FINANCING ACTIVITY

Initial Offering. The Company sold 10,889,742 shares of Common Stock (including 1,420,401 shares sold pursuant to the underwriters' overallotment option) to the public at a price of \$20.00 per share in the Initial Offering on March 10, 1994. The Company used the net proceeds of approximately \$200 million to acquire the Company's ownership interests in the then-existing Communities, including the acquisition of five

S-10

Communities concurrently with the Initial Offering, and to acquire the Reflections and Village Square Communities shortly after the Initial Offering.

Tax-Exempt Bond Refinancing. In June, 1995, the Company completed an \$89.4 million financing of both new and restructured tax-exempt bonds with a 30-year credit enhancement provided by the Federal National Mortgage Association ("FNMA"). The Company has effectively fixed the interest rate on this debt for a 15-year period at an all-inclusive interest rate of approximately 6.48% per annum through interest rate swap agreements. In December, 1995, the Company reissued \$20.8 million in tax-exempt debt collateralized by the City Heights Community. The debt bears interest at a rate of 30-day LIBOR, reset weekly, plus 0.25%, which, including financing costs, is currently approximately 6.25% per annum. The Company intends to reissue the bonds again in the third quarter of 1996 on a long-term, fixed-rate basis and to obtain a long-term "AAA" guaranty for the bond reissuance through either the Financial Guarantee Insurance Company ("FGIC") or one of the existing FNMA guaranty agreements.

The Credit Facilities and Construction Loans. In January, 1995, the Company restructured its \$40 million secured revolving credit facility with General Electric Capital Corporation (the "GECC Credit Facility"), increasing the availability to \$80 million and reducing the borrowing cost from 30-day LIBOR plus 3.75% per annum to 30-day LIBOR plus 2.25% per annum. In December, 1995, the Company repaid a \$26 million construction loan, which had an interest rate of LIBOR plus 2.25% per annum, and replaced a \$20.0 million construction credit facility (the "Wells Fargo Credit Facility"), which also had an interest rate of LIBOR plus 2.25% per annum, with a revolving facility (the "Union Bank Credit Facility"). The Union Bank Credit Facility was a secured \$47 million line of credit for both acquisition and construction with an interest rate of LIBOR plus 1.6% per annum. In December, 1995, the Company also obtained a new construction loan (the "Union Bank Construction Loan"), which provides for approximately \$25.5 million of borrowings at an interest rate of LIBOR plus 2.15% per annum.

In May, 1996, the Company replaced both its \$80 million secured credit facility and its \$47 million secured credit facility with a \$150 million unsecured line of credit from Union Bank of Switzerland and other banks (the "Unsecured Credit Facility"). The Unsecured Credit Facility matures in May,

1999, and bears interest at a rate of LIBOR (based on a maturity selected by the Company) plus 1.55% per annum. The margin over LIBOR will be reduced to 1.45% per annum if the Company obtains an investment grade unsecured debt rating equivalent to at least "BBB-", or 1.30% per annum if the Company obtains a rating equivalent to at least "BBB", from Standard & Poor's Ratings Group, Moody's Investors Service and/or another rating company acceptable to Union Bank of Switzerland.

Equity Offerings Since the Initial Offering. On September 18, 1995, the Company entered into a purchase agreement to sell approximately \$49.2 million of newly issued convertible Series A Preferred Stock to an institutional investor. The approximately 2.3 million shares of Series A Preferred Stock were sold at a price of \$21.325 per share, which was the average closing price of the Common Stock during the 10 trading days immediately preceding September 18, 1995, which was the date on which the sale was priced. The sale of the Series A Preferred Stock closed on October 2, 1995. The proceeds of the sale were used to reduce the Company's outstanding debt and to purchase The Promenade, City Heights and The Pointe Communities. The holders of the Series A Preferred Stock are entitled to receive a dividend equal to 103% of the dividend paid on the Common Stock. The Series A Preferred Stock generally has no voting rights and, during the first three years following issuance, generally cannot be converted into shares of Common Stock. Thereafter, the Series A Preferred Stock may be converted on a share-for-share basis into shares of Common Stock, subject to certain ownership limitations. After 10 years following issuance, all outstanding shares of the Series A Preferred Stock must be converted into shares of Common Stock. The holders of the Series A Preferred Stock received registration rights for the shares of Common Stock issuable upon conversion of the Series A Preferred Stock.

In May, 1996, the Company sold approximately \$10 million of convertible Series B Preferred Stock and \$40.5 million of Common Stock to a number of institutional investors. The Company sold 1,248,191 shares of Common Stock in a direct placement at a price of \$24.44 per share, which reflected a 1% discount from the average closing price of the Common Stock during the 10 trading days immediately preceding May 2, 1996,

S-11

the last trading day prior to the date on which the sale was priced. The Company also sold 405,022 shares of Series B Preferred Stock together with 413,223 shares of Common Stock in an underwritten offering at a weighted average sales price of \$24.44 per share. The proceeds of the sale were used to acquire the Park Centre, Parkside Commons and Sunset Towers Communities and to repay borrowings under the Unsecured Credit Facility. The Series B Preferred Stock has substantially the same dividend, voting and conversion terms as the Series A Preferred Stock. The holders of the Series B Preferred Stock have registration rights for the shares of Common Stock issuable upon conversion of the Series B Preferred Stock.

FUNDING FUTURE GROWTH

The Company believes that the strength of its balance sheet, coupled with its access to capital through the Unsecured Credit Facility, the Union Bank Construction Loan and its demonstrated expertise in utilizing tax-exempt debt and direct placements of equity securities, provides the Company with the financial flexibility to fund future growth using various financing alternatives.

Following the closing of the Offering and the purchase of the Current Acquisition Communities, the Company's debt-to-total-market-capitalization ratio will be approximately 34.4%. The outstanding balance on the \$150 million Unsecured Credit Facility will be approximately \$51 million, resulting in an available balance of approximately \$99 million, which, together with the \$25.5 million Union Bank Construction Loan, will result in an aggregate available balance of approximately \$124.5 million. In addition, the Company is currently seeking to increase the maximum availability under the Unsecured Credit Facility to \$200 million. The Company has estimated that approximately \$60 million will be required in the next 12 months to fund the construction of the Current Development Communities and the currently planned renovation programs for the Communities and for the Current Acquisition Communities. In the event that the Unsecured Credit Facility is increased to \$200 million, the Company will have approximately \$114.5 million available in aggregate to fund future growth opportunities. However, there can be no assurance that the Company will be able to obtain an increase in the maximum availability under the Unsecured Credit Facility.

The Company is pursuing additional sources of capital to provide financing for future growth. In addition to seeking an increase in the maximum availability under the Unsecured Credit Facility, the Company may seek to obtain an investment grade rating or raise additional equity through direct placements with institutional investors.

THE OFFERING

All the Shares offered hereby are being sold by the Company. None of the Company's stockholders is selling any Shares in the Offering.

<TABLE>	
<S>	<C>
Shares Offered.....	5,000,000
Shares Outstanding After the Offering.....	18,228,826 shares(1)
Use of Proceeds.....	To acquire the Current Acquisition Communities and to repay borrowings under the Unsecured Credit Facility
NYSE and PSE Symbol.....	"BYA"

</TABLE>

- - - - -

(1) Excludes 644,875 shares of Common Stock reserved for issuance under the Company's 1994 Stock Incentive Plan.

S-12

SUMMARY FINANCIAL AND OPERATING DATA

The Company's results of operations are summarized as follows for the quarters ended March 31, 1996 and 1995:

	THREE MONTHS ENDED MARCH 31,	
	1996	1995
	-----	-----
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AND APARTMENT HOME DATA)	
	(UNAUDITED)	
<S>	<C>	<C>
Operating Data:		
Revenue:		
Rental.....	\$ 16,094	\$ 11,434
Other.....	378	416
	-----	-----
Total Revenue.....	16,472	11,850
Expenses:		
Property Operating (1).....	3,737	2,728
Property Taxes.....	1,222	963
General and Administrative.....	860	494
Interest and Financing.....	3,472	2,482
Depreciation and Amortization.....	3,971	3,260
	-----	-----
Total Expenses.....	13,262	9,927
Income before Minority Interest.....	3,210	1,923
Minority Interest	15	3
	-----	-----
Net Income.....	\$ 3,195	\$ 1,920
	=====	=====
Per Share Information:		
Net Income per share.....	\$.19	\$.17
Dividends declared per share.....	.40	.38
Other Information:		
Funds from operations(2).....	\$ 6,982	\$ 4,970
Cash available for distribution(3).....	6,916	4,977
Debt service coverage ratio(4).....	2.75x	2.19x
FFO payout ratio.....	79.8%	88.3%
CAD payout ratio.....	80.5%	88.1%
Gross operating margin(5).....	69.9%	68.9%
Average "same store" monthly rental rate per apartment home(6) (7).....	\$ 954	\$ 893
Average "same store" monthly expenses per apartment home(6) (8).....	263	276

</TABLE>

- - - - -

- (1) Property operating expenses are defined as property-related repair and maintenance expenses, utilities, on-site property management costs, and exclude interest, depreciation and amortization.
- (2) Industry analysts generally consider FFO to be an appropriate measure of the performance of an equity REIT. FFO for the period presented is calculated as follows:

<TABLE>
<CAPTION>

THREE MONTHS ENDED MARCH 31,

--

1996

1995

(DOLLARS IN THOUSANDS) (UNAUDITED)			
	<C>		<C>
<S>			
Net income.....	\$	3,195	\$ 1,920
Depreciation -- real estate assets.....		3,692	2,930
Non-recurring adjustments to net income:			
Amortization of non-recurring costs, primarily legal, from the issuance of tax-exempt bonds.....		95	120
Subtotal -- FFO.....	\$	6,982	\$ 4,970
		=====	=====

</TABLE>

S-13

(3) Cash available for distribution ("CAD") for the period presented is calculated as follows:

THREE MONTHS ENDED MARCH 31,			
		1996	1995
		-----	-----
<S>	<C>		<C>
THOUSANDS)			(DOLLARS IN
(UNAUDITED)			
FFO.....	\$	6,982	\$ 4,970
Recurring adjustments to net income:			
Amortization of origination fees on credit facilities.....		111	148
Amortization of credit enhancement costs.....		38	38
Depreciation -- non real estate assets.....		35	24
Capital improvements.....		(162)	
(141)			
Loan principal repayments.....		(88)	
(62)			
Subtotal -- CAD.....	\$	6,916	\$ 4,977
		=====	=====

</TABLE>

- (4) Debt service coverage represents EBITDA divided by the sum of interest expense, capitalized interest and loan principal amortization payments (excluding balloon payments).
- (5) Gross operating margin represents the excess of total property revenue over the sum of property operating expenses and property taxes as a percentage of total property revenue.
- (6) Same store Communities are those Communities owned for all of 1995, less those to which the Company made major renovations after January 1, 1995. They comprise a total of 3,330 apartment homes.
- (7) Average "same store" monthly rental rate per apartment home is calculated by dividing gross potential rent (i.e., actual rental rates on occupied apartment homes plus assumed rental rates on vacant apartment homes at market) as of the end of the period by the total number of apartment homes.
- (8) Property operating expenses and property taxes for same store apartment homes divided by the total number of same store apartment homes.

<TABLE>
<CAPTION>

AT MARCH 31, 1996			
	HISTORICAL	AS ADJUSTED(1)	
	-----	-----	
<S>	<C>	<C>	
			(DOLLARS IN THOUSANDS) (UNAUDITED)
Balance Sheet Information:			
Real estate, before accumulated depreciation.....	\$	505,240	\$ 678,930
Total assets.....		481,582	685,306
Line of credit.....		36,720	38,833(2)
Long term debt.....		197,214	225,167
Total debt.....		233,934	264,000
Minority interest.....		--	7,300
Shareholders' equity.....		235,384	401,164

</TABLE>

(1) Reflects the issuance of the Series B Preferred Stock and Common Stock

issued in May, 1996, and as adjusted to give effect to the Offering, including the use of the net proceeds therefrom as described in "Use of Proceeds."

- (2) The "as adjusted" balance for the line of credit was approximately \$51 million, as of July 30, 1996.

S-14

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 dependant 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."

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.

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 unit occupancy or rental rates. Increases in unemployment and a decline in household formation in the San Francisco Bay Area or Northern California

S-15

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 in the Primary Markets where the Company owns Communities and intends to acquire Current Acquisition 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 increase operating costs. If operating expenses increase, 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 projected 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 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 market. The number of competitive residential properties in a particular area could have a material 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.

Affordable Housing Laws or Restrictions. A number of the Communities and Current Acquisition 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. 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. See "Unsecured Credit Facility, Mortgage Debt and Bond Financing."

DEPENDENCE ON NORTHERN CALIFORNIA AND PRIMARY MARKETS

Although the Company may expand further outside of Northern California into markets such as the southern portion of Orange County, currently most of the Communities are located 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. The Northern California economy has suffered from a recession which began in 1990. National trends, such as a decline in demand for discretionary consumer goods and leisure travel as well as heightened competition in high technology industries, have had an adverse impact upon Northern California. Further reductions in the level of government spending in the defense industry may have an impact upon employment and demand for residential real estate in the Primary Markets.

NEW SOUTHERN CALIFORNIA MARKETS

The Company recently acquired the Mill Creek and the Villa Marguerite Current Acquisition Communities and currently intends to acquire in the third quarter of 1996 the Martinique Gardens Current Acquisition Community, all of which are located in the southern portion of Orange County in Southern California. The Company also intends to make other selective acquisitions in Southern California from time to time thereafter. 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 it in Southern California. In such event, the Company may be exposed to, among others, risks associated with (i) a lack of market

S-16

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 July, 1996, the Company obtained a seismic risk analysis from an engineering firm which estimated the probable maximum loss ("PML") for each of the Communities individually and for all of the Communities 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 of \$45.9 million for the 27 Communities, which is a PML level that is expected to be exceeded only 10% of the time in the event of such a severe earthquake. This aggregate PML could be higher as a result of variations in soil classifications and structural vulnerabilities. One Community's individual PML was 30%, while four Communities had PMLs of 25%, and the remaining 22 Communities each had PMLs of 20% or less. However, no assurance can be given that an earthquake would not cause damage or losses greater than the PML assessments indicate, or that future acquisitions or developments will not have PML assessments indicating the possibility of greater damage or losses. The Company has not yet obtained PML assessments for all of the Current Acquisition Communities but is in the process of obtaining such assessments as part of its normal due diligence.

The Company has recently obtained earthquake insurance, both for physical damage and lost revenues, with respect to the Communities. For any single occurrence, the Company self-insures the first \$20 million of loss, and has in place \$25 million of coverage above this amount, with a 20% deductible. 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 revenues 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. The Company is obligated for certain mortgage indebtedness funded by tax-exempt bonds (the "Bonds") in the aggregate principal amount of approximately \$197.2 million on 10 Communities (Waterford Apartments, Villa Mariposa, Fairway Glen Apartments, Foxchase Apartments, Barrington Hills, Crossbrook, Rivershore, Canyon Creek, Sea Ridge and City Heights) and \$27.9 million on two Current Acquisition Communities (Countrybrook and Villa Marguerite). Principal and interest payments due to holders of the Bonds (the "Bondholders") are secured by a first deed of trust on the Community or Current Acquisition 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 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 and Sea Ridge (the "1995 Bonds"), to the Bondholders are supported by a 30-year credit enhancement provided by FNMA (the "FNMA Credit Enhancement" and, together with the FGIC Credit Enhancement, the "Credit Enhancements"). See "Unsecured Credit Facility, Mortgage Debt and Bond Financing."

S-17

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 nine of the 10 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 17 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 the Company to make expected distributions to shareholders, including distributions required to maintain its REIT status. See "Risk Factors -- Adverse Consequences of Failure to Qualify as a REIT" and "Unsecured Credit Facility, Mortgage Debt and Bond Financing."

Bond Compliance Requirements. The 10 Bond-financed Communities and the two Bond-financed Current Acquisition Communities are subject to deed restrictions or restrictive covenants relating to tax-exempt bond financing. In addition, the Internal Revenue Code of 1986, as amended (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 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 may impose 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. The Company had variable rate indebtedness aggregating approximately \$99.2 million outstanding as of June 30, 1996 consisting of \$20.8 million of tax-exempt financing and \$78.4 million of borrowings under the Unsecured Credit Facility. 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 reduce exposure to interest rate increases on such debt. See "Unsecured Credit Facility, Mortgage Debt and Bond Financing."

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

S-18

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 (i) the construction of the Communities developed by the Company, all of which were constructed after 1983, or (ii) the construction of any of the Communities acquired by the Company or the Current Acquisition Communities other than Regatta Bay, Sea Ridge, Village Square, Sunset Towers, Mill Creek, Channing Heights and Martinique Gardens. The Company does not anticipate that it will incur any material liabilities in connection with the presence of ACMs at the Communities or any of the Current Acquisition Communities. The Company currently has an operations and maintenance program in place for ACMs at the Regatta Bay, Sea Ridge, Village Square and Sunset Towers Communities and intends to implement similar programs at the Mill Creek, Channing Heights and Martinique Gardens Current Acquisition Communities.

All of the Communities, two of the Current Acquisition Communities, and the Current Development Communities have been subjected to a Phase I or similar environmental assessments (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. The Company is in the process of having environmental assessments prepared on the balance of the Current Acquisition Communities. 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, the Lawrence Expressway Site, 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, The Alameda Site, may require underground storage tank removal and other environmental cleanup. 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, the Current Acquisition 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.

ADVERSE CONSEQUENCES OF FAILURE TO QUALIFY AS A REIT

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.

S-19

USE OF PROCEEDS

The net proceeds to the Company from the Offering are estimated to be approximately \$116.6 million (approximately \$134.1 million if the Underwriters' over-allotment option is exercised in full). The Company will use approximately \$32.4 million of the net proceeds from the Offering to acquire the two Current Acquisition Communities not yet acquired, and the remaining net proceeds will be used to repay borrowings under the Unsecured Credit Facility, including approximately \$48.9 million incurred to acquire the four Current Acquisition Communities that were purchased prior to the closing of the Offering. The Unsecured Credit Facility bears interest at a rate of LIBOR (based on a maturity selected by the Company) plus 1.55% per annum and matures in May, 1999.

CAPITALIZATION

The following table sets forth the historical capitalization of the Company as of March 31, 1996 and the pro forma capitalization of the Company as of such date to reflect the issuance of the Series B Preferred Stock and Common Stock issued in May, 1996, and as adjusted to give effect to the Offering, including the use of the net proceeds therefrom as described in "Use of Proceeds."

<TABLE>
<CAPTION>

MARCH 31, 1996			
	HISTORICAL	PRO FORMA	AS ADJUSTED
	-----	-----	-----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Notes payable.....	\$233,934	\$310,366	\$ 264,000
Minority interest.....	--	7,300	7,300
Shareholders' equity:			
Preferred Stock, \$.01 par value, 25,000,000			
authorized, outstanding: 2,308,800 at March			
31, 1996, 2,713,822 pro forma and as			
adjusted.....	23	27	27
Common Stock, \$.01 par value, 40,000,000			
authorized, outstanding: 11,558,087 at March			
31, 1996, 13,219,501 pro forma and 18,219,501			
as adjusted(1).....	116	132	182
Dividends in excess of accumulated earnings.....	(16,100)	(16,388)	(16,388)
Paid in capital.....	251,345	300,826	417,343
Total shareholders' equity.....	235,384	284,597	401,164
	-----	-----	-----
Total capitalization.....	\$469,318	\$602,263	\$ 672,464
	=====	=====	=====

</TABLE>

- - - - -

(1) Excludes 654,200 shares of Common Stock reserved for issuance under the 1994 Stock Incentive Plan.

S-20

PRICE RANGE OF SHARES AND DISTRIBUTION HISTORY

The Common Stock has been traded on the NYSE under the symbol "BYA" since

the Initial Offering in March, 1994 and has been traded on the PSE under the same symbol since May, 1996. On July 30, 1996, the reported last sale price of the shares of Common Stock on the NYSE was \$24 3/4 per share, and there were approximately 91 holders of record of shares of Common Stock. The following table sets forth the quarterly high and low sales prices per share reported on the NYSE and the distributions paid by the Company with respect to each quarterly period since the Initial Offering.

<TABLE>

<CAPTION>

QUARTER ENDED		HIGH	LOW	DISTRIBUTION
<S>	<C>	<C>	<C>	<C>
1994				
	March 31.....	\$21 1/2	\$20 3/8	\$ (1)
	June 30.....	\$22 3/4	\$20	\$.44
	September 30.....	\$22 1/8	\$19 3/4	\$.38
	December 31.....	\$21 1/8	\$17 3/4	\$.38
	Total 1994.....			\$ 1.20
				=====
1995				
	March 31.....	\$20 7/8	\$18	\$.38
	June 30.....	\$20	\$16 3/4	\$.39
	September 30.....	\$21 3/4	\$19 1/8	\$.39
	December 31.....	\$24 1/2	\$19 7/8	\$.39
	Total 1995.....			\$ 1.55
				=====
1996				
	March 31.....	\$25 3/4	\$22 5/8	\$.40
	June 30.....	\$26	\$23	\$.40
	September 30 (through July 30).....	\$26	\$24 5/8	NA

</TABLE>

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(1) A distribution for the period March 17, 1994 through March 31, 1994 was paid concurrently with the June 30, 1994 distribution based on an annual distribution rate of \$1.52 per share outstanding.

On March 19, 1996, the Company announced an increase of approximately 2.5% in its quarterly distribution, increasing the quarterly distribution on its Common Stock from \$0.39 per share to \$0.40 per share, which, on an annualized basis, is equal to an annual distribution of \$1.60 per share. The Company currently expects to continue to pay a regular quarterly distribution at this increased level for the remainder of 1996. Future distributions by the Company will be at the discretion of the Board of Directors and there can be no assurance that any such distributions will be made by the Company.

S-21

BUSINESS PHILOSOPHY

The Company's primary business is to own and operate upscale apartment communities with extensive landscaping and amenities, well-maintained common facilities and convenient access to shopping areas, transportation or other services. The Company has consistently followed this philosophy since it was founded in 1978. In operating the Company, management emphasizes the following business philosophies:

- Quality and Reputation. The Company believes that by setting high standards with respect to the design, development, construction and operation of its Communities, it has established an excellent reputation and tradition of service in each of its primary markets. This dedication to service and quality is designed to minimize resident turnover, reduce operating expenses, and enhance the occupancy levels of its Communities.
- Long-Term Competitive Advantage. The Company, operating primarily in the fully-developed metropolitan areas of Northern California, has consistently aimed to build or acquire and own apartment community sites which, as a result of their location and design, give the Company a long-term competitive advantage. The Company seeks sites in urban settings where no other comparable apartment can be built in the foreseeable future. The Company takes advantage of the general planning and zoning laws in California, which preplan the use of every parcel of property for particular purposes, by seeking to obtain the only available apartment sites in a micromarket. The Company also purchases sites with non-residential buildings on them, then removes the old structures and builds new apartment homes in otherwise fully developed neighborhoods. As a result, the Company can frequently provide new apartment homes, usually on the last available site in an area, at a higher quality than any other apartment community in that market area and thereby gain a relatively long-term competitive advantage. The Company also buys existing apartments in fully developed neighborhoods and substantially rebuilds

them to a quality higher than any existing apartment in the area, which frequently results in the Company owning the highest quality apartment community or the best rental value apartment community in a neighborhood.

- Successful In-fill Development Strategy. The Company also favors in-fill development sites that make its apartment locations very attractive to the largest possible segment of the rental market. The Company selectively seeks opportunities to acquire development sites or existing apartment communities that have high drive-by traffic volume, very good transportation access, convenient shopping and schools, close proximity to major employment centers, lower than normal land or improvement costs, significant public financial assistance, favorable tax-exempt financing and other significant advantages which make the Company's apartment locations very attractive. Management believes that the in-fill characteristics and superior locations of its communities and the strict growth controls in the Primary Markets are likely to limit new competition and enhance the current and long-term value of the Company's overall portfolio.
- Attractive Communities. The Company designs its communities for maximum long-term investment value and resident appeal. Substantially all of the Communities include attractive leasing pavilions and community centers, solar-heated swimming pools and spas, large high-tech fitness facilities, lush and extensive landscaping, indoor or covered, and often secured, parking, ample private storage spaces, both in the parking areas and in the apartments. A growing number of Communities also have business centers with computers, printers, fax machines and copiers available for residents. The apartment homes offer spacious, open living areas where living, dining and kitchen areas read as one space, and, in most cases, there is a bathroom with every bedroom. A two or three bedroom apartment typically has two or three bathrooms, high or vaulted ceilings, a patio or balcony, a separate in-home laundry room, often including washing machines and dryers and a fully-equipped kitchen, often with a built-in buffet, wine rack, microwave, disposal and dishwasher.
- Service Ethic. The Company believes that the best way to attract and retain residents is to provide comprehensive personal service. The Company has well-trained property managers, leasing agents and maintenance managers each of whose objective is to be courteous and responsive to resident needs 24 hours a day and to ensure that the Communities are always maintained in their best condition. These

S-22

employees frequently attend educational programs to improve their management and marketing skills. The Company also offers or makes available many services to residents that make living in the Communities more convenient, including package and laundry pick up and delivery services, aerobics classes, community social activities and, for certain communities, business centers with computers, printers, fax and copy machines.

- Hands-on Construction. The Company carefully designs each development project and serves as its own general contractor for new construction and renovation work. It designs each community with full participation of key Company development, construction, marketing, financial, and property management personnel, as well as with building and landscape architects, civil, soil, structural, mechanical, electrical, sound and environmental engineers and a wide variety of major subcontractors that will be involved in the construction and maintenance of the communities. In its construction design and specifications, the Company includes as many long-term, durable materials and equipment as are financially feasible to minimize future maintenance costs. The Company takes significant steps to control costs and schedules, such as widely bidding all phases of the construction project and negotiating detailed contracts with subcontractors so that the construction process is less likely to have change orders or unanticipated costs. The Company maintains detailed budgets, budget to actual cost analyses and construction schedules to control all phases of the construction operation at its communities.
- New or Like-New Strategy. The Company aims to keep all of its Communities in new or like-new condition. Of the Company's 27 Communities, six Current Acquisition Communities and four Current Development Communities, the Company will have built 15 new communities and substantially rebuilt or rehabilitated 20 others. Once it has built new or restored communities to like-new condition, the Company diligently maintains them. The Company has developed a detailed capital improvement and preventive maintenance program that emphasizes the importance of maintaining the high-quality of its communities. The Company capitalizes approximately \$125 per apartment home per year of the approximately \$855 that it spends per apartment home per year for repairs, replacements and reconstruction. Management believes that physical repair and cleanliness of the Company's communities are vital parts of the quality of the communities and positive resident relationships. At the same time, management believes that the great majority of maintenance and repair expenditures should be

expensed as incurred. In fact, management expenses all repair and replacement expenditures that cost individually \$5,000 or less. This proactive maintenance and expense philosophy results in lower, long-term operating costs, maintains the high quality of the communities and maximizes their future value.

- Extensive Experience in Tax-Exempt Bond Indebtedness. Historically, the Company has financed a large portion of its Communities with tax-exempt bond indebtedness and has developed substantial expertise in this area. Through the strategic use of tax-exempt bonds as of June 30, 1996, the Company has been able to borrow an aggregate of \$197.2 million amortizing over an average period of 22 years with an all inclusive average interest rate of approximately 6.2% per annum, effectively fixed for an average remaining term of approximately 11 years. The Company intends to continue using similar tax-exempt permanent financing strategies in connection with new development projects and communities acquired in the future, including the Countrybrook and Villa Marguerite Current Acquisition Communities, where such favorable opportunities exist. See "Growth Strategies."

GROWTH STRATEGIES

The Company's primary business objectives are to maximize the current return to stockholders through increases in current distributions and to increase long-term total returns to stockholders through appreciation in value of the Company's Common Stock. The Company is committed to achieving these objectives by pursuing the following internal and external growth strategies.

The Company has aggressively pursued growth through the acquisition and repositioning, or planned repositioning, of over 2,957 apartment homes (through June 30, 1996), the development of an additional 672 apartment homes which the Company still owns and 232 more which it sold in June, 1995, and the initiation or planning of construction of 1,574 apartment homes. To facilitate its growth strategies, the Company has

S-23

raised approximately \$99.7 million of equity and has in place acquisition, development and construction financing in the aggregate amount of approximately \$175.5 million of which approximately \$32.4 million is currently available to the Company. See "Unsecured Credit Facility, Mortgage Debt and Bond Financing."

The Company intends to maintain a conservative balance sheet and currently has a policy of incurring debt in the future only if upon such incurrence its debt-to-total-market-capitalization ratio (i.e., total consolidated debt of the Company as a percentage of the market value of outstanding shares of capital stock of the Company plus total consolidated debt) is 50% or less. The Company's debt-to-total-market-capitalization ratio as of June 30, 1996 was 40.1%. Upon the closing of the Offering, the Company's debt-to-total-market-capitalization ratio would be approximately 26.7% without giving effect to the purchase of any of the Current Acquisition Communities and 34.4% assuming the acquisition of all of the Current Acquisition Communities.

IN-FILL PROPERTY DEVELOPMENT

The Company intends to generate external growth through the continued development of upscale apartment home communities located in in-fill areas in Northern California. The Company believes that the barriers to new development in its markets caused by governmental growth controls (including difficult permitting processes and high governmental and quasi-governmental fees), significant equity requirements, and the limited availability of construction financing, have reduced the number of potential acquirers of undeveloped land and contributed to the decrease in the rate of apartment home community construction. This decline in construction, coupled with the trend toward strong population growth and household formations, presents an excellent opportunity for the Company to achieve favorable returns on the development of well-located, upscale apartment home communities. During the past 18 years, the Company and its affiliates have developed and constructed or acquired and rebuilt approximately 10,000 residential units in Northern California, primarily in the San Francisco Bay Area. The Company believes that the size and quality of its portfolio, as well as the relationships it has developed with local permitting and governmental authorities and its experience with the development, construction and financing process, have minimized barriers to development often faced by less experienced developers. The Company believes that these factors will also assist the Company in connection with obtaining permits in new markets in the future.

In analyzing a potential development community, the Company evaluates certain geographic, demographic, economic and financial data, including prevailing rental and occupancy rates in the area, income levels and employment base, traffic volume, transportation access, proximity to shopping, schools, and commercial centers and the availability of favorable tax-exempt financing. The Company also uses creativity in the site-selection process, often looking for sites in in-fill locations that are currently used for other than apartment purposes and that can sometimes be refurbished, but, more often, can be built on

or rebuilt for apartment purposes. Assuming the development project satisfies the Company's review, the Company determines whether the most prudent course is to acquire the land outright or to secure an option to purchase the land. The Company's decision is based on, among other criteria, the zoning status of the land, the availability of financing and the pricing for the various ownership alternatives. The Company designs each of its Communities in a manner that is aesthetically pleasing, while controlling costs both during the construction and operation of the Community. During the construction process, the Company serves as the general contractor to better ensure that the project will be completed on time and within budget projections. The last component of the development process is creating and implementing the marketing and leasing program. The Company's marketing and leasing specialists are involved throughout the development process to ensure that the appropriate apartment home mix and community amenities are incorporated into the design.

When evaluating new development opportunities, the Company targets development communities with projected EBITDA of at least 10% of estimated total capitalized costs of development in the first calendar year after stabilization. For purposes of estimating total capitalized costs, the Company includes land acquisition costs, governmental and quasi-governmental fees, hard construction costs, architectural and engineering fees, on-site supervision costs, real estate taxes, interest and loan fees and other fees associated directly with construction. For the 11 Communities developed by the Company which it still owns, EBITDA as a percentage of total capitalized cost (weighted according to capitalized costs) was approximately 10.0% in the first calendar year after stabilized occupancy of each such Community.

S-24

SELECTIVE ACQUISITION AND PROPERTY REPOSITIONING

The Company also intends to grow externally by acquiring existing apartment communities from third parties. The Company presently believes that there are attractive acquisition opportunities in Northern California particularly in light of management's experience and the Company's in-house capability in all aspects of real estate acquisition, construction, reconstruction and design. The Company seeks to acquire well-located apartment communities that can be improved to meet the quality and performance standards of the Company through development expertise, capital improvement programs and proactive property management and that: (i) are in need of physical improvements, (ii) are held, primarily as a result of repossession, by financial institutions, insurance companies, pension fund advisors or other similar property managers, or (iii) are held by owners unable to satisfy their obligations.

The continued limited availability of real estate financing from conventional sources causes property owners who are unable to refinance maturing mortgages to sell their properties at prices that provide attractive acquisition opportunities. Generally, the Company targets a 9.5% cash on cash return for acquired communities in the first calendar year after the Company has completed all reconstruction and refurbishing. The Company believes that the pressure for existing owners to sell, coupled with the numerous financial institutions that are disposing of real estate assets, has created an opportunity to acquire properties that will meet or exceed the Company's targeted return.

STRATEGIC USE OF TAX-EXEMPT BOND INDEBTEDNESS

The Company also seeks to increase FFO per share and long-term total returns to stockholders through the strategic use of tax-exempt bond indebtedness, which enables the Company to fix and lower its cost of capital as a result of the lower interest rates associated with tax-exempt financing. As of June 30, 1996, the Company has outstanding approximately \$197.2 million of tax-exempt indebtedness. The Company recently assumed an additional \$27.9 million of tax-exempt bond indebtedness in connection with the acquisition of the Countrybrook and Villa Marguerite Current Acquisition Communities. The Company intends to continue to use its expertise in low interest tax-exempt bond financing in an effort to lower its cost of capital and obtain favorable long-term financing for new development and acquisition opportunities. The use of low interest tax-exempt financing for 10 of the Communities has substantially contributed to the investment returns to the Company.

Historically, the Company has been able to take advantage of this low cost tax-exempt indebtedness without significant rental loss that ordinarily is attributable to compliance with certain rental restrictions imposed in connection with such indebtedness. The Company will continue to utilize low interest tax-exempt indebtedness in markets where the reduction in rental revenues caused by compliance with such restrictions is substantially less than the savings realized through lower interest rates. As a result of certain amendments in the Code, communities financed by tax-exempt indebtedness in the future will be required to satisfy more stringent rental restrictions. There can be no assurance that the rental revenue from communities that incur tax-exempt indebtedness in the future will not be adversely affected; however, the Company intends to seek such financing in the future only if economically advantageous to the Company.

PROACTIVE PROPERTY MANAGEMENT

The Company believes managing its Communities with an intensive hands-on approach is a fundamental component of its internal growth. The Company has developed aggressive property management and leasing programs over the past 18 years that are designed to maximize revenues and minimize expenses thereby increasing the Company's net income per share. For example, the Company's management has authorized and implemented a compensation structure for its on-site property managers that provides for quarterly bonus compensation tied directly to the Community's quarterly performance relative to budgeted performance. The Company believes that its proactive approach to property management results in consistently higher occupancy and rental revenue levels, and a more stable resident base than the overall market.

The Company believes that the continued increase in the formation of new households, combined with the limited supply of newly constructed upscale apartment home communities in the Primary Markets,

S-25

positions these markets for increases in rental rates. The Company intends to generate internal growth by (i) increasing average occupancy and rental rates, as market conditions permit, and minimizing resident turnover of the Communities, and (ii) continuing to operate as a low cost producer with an efficient general and administrative staff and with senior management providing direction and supervision of the on-site Community management team. To the extent, however, that certain Communities are financed by Bonds, bond compliance requirements may have the effect of mitigating any rental rate increase if the Company is required to lower rental rates to attract residents who satisfy the median income test. See "Risk Factors -- Real Estate Financing Risks -- Bond Compliance Requirements."

Each Community's management team consists of a property manager, several leasing specialists and maintenance personnel. The on-site property manager is both the Company's representative to the residents and the manager of the leasing and maintenance staff. The Company believes that its property managers play an integral role in its management team as well as in each Community's success. Management personnel undergo an extensive training program and attend continuing education classes to improve their marketing and management skills. The Company's employees perform all property management functions, including leasing and rent collection and delinquencies. For the year ended December 31, 1995, the Company's average for collections lost to bad debt was 0.46%, due in large part to extensive credit reviews of prospective residents and a diligent collections policy. In addition, the Company's employees perform most of the on-site maintenance functions, including, for example, painting, plumbing and electrical repair, pool maintenance and general clean up, as well as major repairs including repairs of leasing pavilions, recreation buildings, kitchens and bathrooms.

To control costs, the Company has established a sophisticated property management computer system which tracks leasing, rent collection and expense activity on a daily basis at each of the Communities. The Company's on-line computer network, using both customized and conventional software programs, provides the Company's management with immediate information about rent collections, new rentals, credit review of prospective residents, delinquencies, 30-day termination notices, occupancy levels and resident profiles. Both marketing and accounting information are carefully and continuously monitored by management. Additionally, the geographic concentration of the Communities allows senior management to visit each of the Communities frequently and to closely supervise the implementation of the leasing and maintenance programs.

PERFORMANCE SINCE THE INITIAL OFFERING

Since the Initial Offering, the Company has achieved strong financial results from both external and internal growth. The Company has aggressively pursued external growth through its strategy of acquiring and substantially reconstructing existing apartment communities as well as developing new communities. The Company has enhanced returns on its existing Communities in large part through rental rate increases, which reflect the high demand for upscale apartment homes in the Primary Markets, and in part through favorable tax-exempt financing. In view of the Company's activities with the Current Acquisition Communities and the Current Development Communities, the Company believes that it is well-positioned to continue to benefit from current and projected favorable market conditions in the Primary Markets.

FINANCIAL PERFORMANCE

Results of Operations. The Company's FFO per share has increased at a rate of approximately 12% per annum from the Initial Offering through March 31, 1996. In its first full quarter as a public company, the second quarter of 1994, the Company reported FFO per share of \$0.41. In the first quarter of 1996, the Company reported FFO per share of \$0.50. The Company's FFO per share has grown for several reasons: (i) strong internal growth; (ii) accretive acquisitions of Communities; and (iii) positive leverage from long-term, fixed-rate, tax-exempt debt.

- Internal Growth. The Company has had the benefit of strong internal growth since the Initial Offering. For example, on its initial 13 Communities (i.e., the "same store" Communities), the Company has had same store EBITDA growth from the end of the second quarter of 1994 to the end of the first quarter of 1996, a period of seven quarters, of 15.99%. This EBITDA growth is due to

S-26

revenue increases of 11.67% during this period. In addition, average same store physical occupancy improved from 95.9% to 97.1% from the end of the second quarter of 1994 to the end of the first quarter of 1996. During the same period, expenses increased 1.71%. On an annualized basis for the seven quarters ended March 31, 1996, increases in revenues, expenses and EBITDA for these 13 Communities for 1996 were 6.5%, 1.0% and 8.8%, respectively.

- Accretive Additions. From the Initial Offering through June 30, 1996, the Company has added 3,629 apartment homes in 14 Communities, consisting of 2,957 apartment homes in 12 Communities which it acquired and rebuilt and 672 apartment homes in two Communities which it developed and built. The estimated EBITDA in 1996 as a percentage of cost is 9.9% for the portfolio of 14 Communities, 9.6% on the 12 acquired Communities and 10.5% on the two newly developed Communities. See "Prospectus Supplement Summary -- Performance Since the Initial Offering -- Acquisition and Development Activity" for a description of the calculation of EBITDA on these Communities.
- Positive Leverage. From the Initial Offering through June 30, 1996, the Company has obtained \$110.2 million of long-term, tax-exempt bond debt. Of this debt, \$89.4 million is fully amortizing 30-year bonds with an all-inclusive fixed interest rate for the first 15 years of 6.48% per annum. The remaining \$20.8 million of bond debt has a remaining 22-year life and bears interest at a rate of 30-day LIBOR, reset weekly, plus 0.25%, which, including financing costs, is currently approximately 6.25% per annum. The Company intends to fix the interest rate on these floating rate bonds in the third quarter of 1996, subject to market conditions. This low-cost financing increases the return on the Company's acquisition and development communities.

Increased Distributions and Lowered Payout Ratio. The Company's distribution policy is to increase distributions at a rate of growth at or slightly above inflation, but less than its growth in FFO per share. The Company's FFO per share has increased at a rate of approximately 12% per annum from the Initial Offering through March 31, 1996. The Company has increased its quarterly distributions from \$0.38 to \$0.39 per share in the second quarter of 1995 and from \$0.39 to \$0.40 per share in the first quarter of 1996, which represents an increase of approximately 3.0% per annum over its beginning annualized distribution based on a seven quarter period. The Company's distribution policy has resulted in a reduction in its distributions as a percentage of its FFO from 91.7% in the second quarter of 1994 to 79.8% in the first quarter of 1996. See "Prospectus Supplement Summary -- Summary Financial and Operating Data."

ACQUISITION AND DEVELOPMENT ACTIVITY

Repositioning of Communities Acquired at the Initial Offering. Concurrently with the Initial Offering, the Company acquired five Communities, with a total of 1,300 apartment homes, for a combined acquisition cost of approximately \$85.8 million and completed a substantial reconstruction of each of these Communities. After completing construction of the Larkspur Woods Community, the Company sold the property for a gain of approximately \$2.4 million, representing an approximately 16% profit over the amount it had invested in the property.

The following is a description of the five Communities acquired concurrently with the Initial Offering:

<TABLE>
<CAPTION>

		AT JUNE 30, 1996			TOTAL
COMMUNITY		APT. HOMES	% LEASED	% OCCUPIED (1)	COST (2)
(IN MILLIONS)					
<C>	<S>	<C>	<C>	<C>	<C>
1.	Barrington Hills(3) Hayward, CA	188	100.0%	97.3%	\$ 14.8 \$15.6
2.	Hacienda Gardens Pleasanton, CA	456	98.9	98.9	34.0 34.3
3.	Larkspur Woods(4) Sacramento, CA	232	N/A	N/A	10.2 15.2
4.	Regatta Bay(5) Foster City, CA	288	100.0	98.3	20.3 23.5
5.	Sommerset Vacaville, CA	136	99.3	97.8	6.5 6.7

Totals/Weighted Average

1,300

99.4%

98.3%

\$ 85.8

\$95.3

</TABLE>

S-27

-
- (1) Represents physical occupancy.
 - (2) Total Cost consists of all capitalized costs incurred as of March 31, 1996 to acquire and reposition the Community, determined in accordance with GAAP.
 - (3) Barrington Hills was formerly known as The Foothills. In connection with purchasing this Community, the Company assumed \$13.6 million in tax-exempt bonds currently bearing interest at an all-inclusive interest rate of 6.48% per annum, which is fixed until June, 2010 pursuant to an interest rate swap agreement.
 - (4) This Community was sold in June, 1995 and was formerly known as Cambridge Square.
 - (5) Regatta Bay was formerly known as Shelter Cove.

Consistent with the Company's strategy of acquiring and rebuilding well-located but poorly maintained and managed communities, as of March 31, 1996 the Company had invested approximately \$9.5 million, and expects to invest another \$475,000 in 1996, to implement the following repositioning programs at these Communities:

- Barrington Hills, Hayward, CA. The Company invested \$737,000 in repositioning this Community under a program which included remodeling the leasing facility, replacing the fitness center, adding an electronically controlled gate system, refurbishing and repainting the exterior of all buildings and upgrading the Community's landscaping and paved areas.
- Hacienda Gardens, Pleasanton, CA. The Company has invested \$262,000 and expects to invest an additional \$475,000 in 1996 to reposition this Community. The Company upgraded the leasing and recreational facilities, added over 100 sets of washers and dryers, built approximately 330 enclosed garages and enhanced the Community's landscaping and water features.
- Larkspur Woods, Sacramento, CA. The Company acquired this partially-completed community for approximately \$10.2 million and subsequently completed construction of 115 apartment homes, upgraded the leasing and recreational facilities, improved the landscaping and installed a gate system at an aggregate cost of approximately \$5.0 million. The Company sold this community to an institutional buyer in June, 1995 for approximately \$17.6 million and realized an approximately \$2.4 million gain on the sale.
- Regatta Bay, Foster City, CA. The Company invested approximately \$3.2 million in repositioning this Community under a program which included remodeling the leasing, recreational and laundry facilities, repairing foundations, replacing all of the plumbing and most of the electrical systems, replacing the roof, removing one swimming pool and substantially rebuilding the other, repairing and repainting the building's exterior, moving and rebuilding trash enclosures and replacing most of the landscaping.
- Sommerset, Vacaville, CA. The Company invested \$242,000 in repositioning this Community under a program which included remodeling the leasing and recreational facilities, refurbishing and painting the building siding and upgrading the Community's landscaping and paved areas.

Acquisitions and Repositionings After the Initial Offering. From the Initial Offering through June 30, 1996, the Company acquired 12 Communities for a combined acquisition cost of approximately \$190.2 million. These 12 Communities have a total of 2,957 apartment homes. Many of these Communities were acquired from lenders after foreclosure or in other circumstances that allowed the Company to purchase the Communities at a significant discount to the Company's estimate of replacement cost. Three of these Communities have tax-exempt bond financing totaling approximately \$36.8 million with an all-inclusive interest rate of 6.48% per annum, which the Company has fixed for a period of 15 years, and one Community has \$20.8 million of tax-exempt debt bearing interest at a rate of 30-day LIBOR, reset weekly, plus 0.25%, which, including financing costs, is currently approximately 6.25% per annum. The Company intends to fix the rate on these floating rate bonds in the third quarter of 1996, subject to market conditions.

S-28

The following is a description of the 12 Communities acquired from the Initial Offering through June 30, 1996:

<TABLE>
<CAPTION>

COMMUNITY	DATE ACQUIRED	APT. HOMES	AT JUNE 30, 1996		PURCHASE PRICE	TOTAL ACTUAL/ BUDGETED COST(2)
			% LEASED	% OCCUPIED(1)		
			(IN MILLIONS)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1. Reflections Fresno, CA	June, 1994	516	95.0%	94.0%	\$ 18.2	\$ 19.3
2. Village Square San Francisco, CA	June, 1994	154	100.0	100.0	12.7	12.8
3. Blairmore(3) Rancho Cordova, CA	July, 1994	252	97.6	96.8	9.5	10.6
4. Crossbrook Rohnert Park, CA	October, 1994	226	97.8	97.4	12.9	13.5
5. Sea Ridge(4) Pacifica, CA	February, 1995	220	100.0	99.1	10.3	17.3
6. Rivershore Bay Point, CA	April, 1995	245	99.2	97.1	13.2	13.9
7. The Promenade Sunnyvale, CA	October, 1995	220	100.0	97.7	18.2	18.4
8. City Heights San Francisco, CA	October, 1995	185	99.5	97.3	15.9	15.9
9. The Pointe Fairfield, CA	December, 1995	296	99.0	98.0	18.1	18.2
10. Park Centre Union City, CA	May, 1996	208	100.0	97.1	11.4	14.2
11. Parkside Commons Sunnyvale, CA	May, 1996	192	98.4	97.9	25.5	25.5
12. Sunset Towers San Francisco, CA	May, 1996	243	99.6	99.6	24.3	26.4
Totals/Weighted Average		2,957	98.4%	97.3%	\$190.2	\$206.0

</TABLE>

- (1) Represents physical occupancy.
- (2) Total Actual/Budgeted Cost consists of all capitalized costs incurred as of March 31, 1996 or, for those Communities acquired in May, 1996, projected to be incurred principally in 1996 and 1997, as the case may be, to acquire and reposition the Community, determined in accordance with GAAP.
- (3) This Community was formerly known as Brandywine.
- (4) This Community was formerly known as Kimberly Woods.

As of March 31, 1996, the Company had invested approximately \$10.9 million in construction and reconstruction programs at the 12 Communities acquired since the Initial Offering, and expects to invest an additional amount of approximately \$9.0 million principally in 1996 and 1997. The Company's construction and reconstruction programs vary from Community to Community as follows:

- Reflections, Fresno, CA. The Company has invested \$1.1 million and expects to invest an additional \$340,000 to make significant structural repairs to this Community, re-side part or all of each building in the Community, repaint the exterior of the Community and significantly upgrade the landscaping. The Company is currently also substantially refurbishing the leasing facility and two fitness centers.
- Village Square, San Francisco, CA. The Company has invested approximately \$113,000 and expects to invest an additional \$104,000 to repair apartment decks and water intrusion problems affecting the foundations.
- Blairmore, Rancho Cordova, CA. The Company has invested approximately \$1.1 million to make significant structural repairs, rebuild several apartment homes damaged by a fire prior to the Company's acquisition, substantially demolish and rebuild the Community's leasing and recreational facilities, repair and paint the building siding, gate the Community and significantly upgrade the Community's landscaping.

S-29

- Crossbrook, Rohnert Park, CA. The Company is currently in the process of a significant repositioning program at this Community. The Company has invested \$617,000 and expects to invest an additional \$816,000 to rebuild the leasing and recreational facilities, add enclosed garages and significantly upgrade the landscaping and paved areas. The Company is still in the process of repairing water infiltration problems in the Community's roof and siding and intends thereafter to paint the entire exterior of the Community.
- Sea Ridge, Pacifica, CA. The Company has invested approximately \$6.9 million and expects to invest an additional \$272,000 to substantially rebuild this Community by replacing its roof and exterior siding,

entirely rebuilding the interior of every apartment home and the leasing, fitness and laundry facilities, adding approximately 150 garages, removing one swimming pool and repairing the other, and replacing the landscaping. The Company began releasing the apartment homes on October 1, 1995; the last apartment home was reoccupied by approximately March 31, 1996.

- Rivershore, Bay Point, CA. The Company has invested \$730,000 and expects to invest an additional \$234,000 to repair the roof, repair and repaint the entire exterior siding of the Community, gate the Community and rebuild the leasing and fitness centers.
- The Promenade, Sunnyvale, CA. The Company has invested \$205,000 and expects to invest an additional \$955,000 to make significant structural repairs to the Community's stairs and rebuild the leasing facility, add a fitness center, repaint the entire Community's exterior and substantially refurbish its landscaping.
- City Heights, San Francisco, CA. The Company expects to invest approximately \$1.1 million to replace the leasing facility and fitness center, repair major water intrusion problems, redecorate all interior hallways and substantially modify the Community's exterior.
- The Pointe, Fairfield, CA. The Company has invested \$137,000 and expects to invest an additional \$287,000 to repaint the Community's entire exterior, replace its leasing and fitness centers and repair its indoor pool building and its foundations.
- Park Centre, Union City, CA. The Company expects to invest approximately \$2.8 million to replace this Community's roof, repair and repaint its siding, substantially refurbish its landscaping, redecorate the interior of all apartment homes, rebuild its leasing facility and fitness center and gate the Community.
- Parkside Commons, Sunnyvale, CA. No significant renovations are planned for this Community.
- Sunset Towers, San Francisco, CA. The Company expects to invest approximately \$2.0 million to repair the roof and substantially refurbish the Community's exterior, its leasing facility and interior hallways.

Completed Development Communities. At the Initial Offering the Company owned one land parcel on which it developed the Carriage Square Community and, shortly after the Initial Offering, acquired a second land parcel on which it developed the Canyon Creek Community. Carriage Square (formerly known as Santa Teresa), is a 324 apartment home Community located in San Jose, CA. The Company completed construction of this Community, at a total cost of approximately \$36.8 million, in September, 1995, and it reached stabilized occupancy in October, 1995. Canyon Creek (formerly known as Creekside), is a 348 apartment home Community located in Campbell, CA. The Company completed construction of this Community in December, 1995 at a total cost of approximately \$35.6 million, and it reached stabilized occupancy in the same month. The Company has arranged 30-year, fully amortizing, tax-exempt bond financing for this Community in the amount of \$38.8 million, which has an all-inclusive interest rate of 6.48% per annum fixed for 15 years.

Current Acquisition Communities. The Company recently acquired four Current Acquisition Communities (Countrybrook, The Fountains, Mill Creek and Villa Marguerite) and has entered into contracts to acquire two other Current Acquisition Communities in the third quarter of 1996 for a combined acquisition cost of approximately \$116.6 million. These six Current Acquisition Communities have a total of 1,409 apartment homes. The Company's purchase of one of the Current Acquisition Communities (Channing Heights) is subject to certain conditions, including receiving certain third party consents. There can be no assurance

S-30

that any or all of the conditions to closing this Current Acquisition Community will be satisfied or that the Company will acquire all of the Current Acquisition Communities. It is currently anticipated that the purchase of any Current Acquisition Community acquired after the closing of the Offering will be funded with the proceeds of the Offering.

The following is a description of the Current Acquisition Communities:

<TABLE>
<CAPTION>

CURRENT ACQUISITION COMMUNITIES	DATE ACQUIRED OR EXPECTED TO BE ACQUIRED	APARTMENT HOMES	PURCHASE PRICE ----- (IN MILLIONS)	TOTAL BUDGETED COST (1) ----- (IN MILLIONS)
<S>	<C>	<C>	<C>	<C>
1. Countrybrook (2)				

San Jose, CA	July, 1996	360	\$ 28.8	\$ 31.2
2. The Fountains				
San Jose, CA	July, 1996	226	27.8	28.7
3. Channing Heights				
San Rafael, CA	August, 1996	254	24.9	28.3
4. Mill Creek				
Costa Mesa, CA	July, 1996	258	17.5	19.1
5. Villa Marguerite(3)				
Mission Viejo, CA	July, 1996	166	10.1	12.1
6. Martinique Gardens				
Costa Mesa, CA	August, 1996	145	7.5	11.8
		-----	-----	-----
Totals		1,409	\$ 116.6	\$131.2
		=====	=====	=====

</TABLE>

- -----

- (1) Total Budgeted Cost includes all capitalized costs projected to be incurred, principally in 1996 and 1997, to acquire and reposition the Current Acquisition Communities determined in accordance with GAAP.
- (2) As part of the purchase price, the Company assumed approximately \$20.3 million of the seller's tax-exempt bond debt secured by the property, and paid the seller approximately \$7.3 million in operating partnership units of a special purpose limited partnership formed by the Company. The tax-exempt bonds have an all-inclusive fixed interest rate of 7.87% per annum through April, 2002.
- (3) The Company assumed \$7.6 million in long-term, tax-exempt bond debt secured by the property in connection with the acquisition of this Current Acquisition Community. The bonds currently float in a seven-day put bond mode with a current variable interest rate of approximately 5.0% per annum.

The Company intends to invest up to \$14.6 million, principally in 1996 and 1997, to repair and refurbish the six Current Acquisition Communities. The Company's efforts will vary for the Current Acquisition Communities as follows:

- Countrybrook, San Jose, CA. The Company intends to repair and repaint the exterior of this community, replace the leasing pavilion and fitness center, upgrade the landscaping and gate the community, all at an estimated total cost of approximately \$2.4 million.
- The Fountains, San Jose, CA. The Company intends to repaint the entire exterior of this community and make other minor repairs, all at an estimated total cost of approximately \$900,000.
- Channing Heights, San Rafael, CA. The Company has negotiated a purchase price for this community of approximately \$24.9 million. The Company intends to replace its roof, repair and repaint its exterior siding, upgrade its interiors, replace its leasing facility and fitness center and substantially upgrade its landscaping, all at an estimated total cost of approximately \$3.4 million.
- Mill Creek, Costa Mesa, CA. The Company intends to repair and repaint the community's exterior, add washers and dryers to the apartment home interiors, rebuild its leasing facility and fitness center and upgrade its landscaping, all at an estimated total cost of approximately \$1.6 million.
- Villa Marguerite, Mission Viejo, CA. The Company intends to repair and repaint the community's exterior, replace the leasing facility and fitness center, add garages and a gate system, all at an estimated total cost of approximately \$2.0 million.
- Martinique Gardens, Costa Mesa, CA. The Company has negotiated a purchase price for this community of approximately \$7.5 million. The Company expects to substantially rebuild this community, including replacing its roof, repairing and repainting its exterior siding, replacing all

S-31

apartment home interiors, rebuilding its leasing facility and fitness center, adding a substantial number of new garages, repaving its roadways and replacing the swimming pool and all of the landscaping, all at an estimated total cost of approximately \$4.3 million.

The Company is currently negotiating letters of intent or is in preliminary evaluation periods on various potential additional apartment home community acquisitions totaling approximately 2,000 existing apartment homes. Several of these acquisitions would require significant renovation programs consistent with the Company's acquisition and repositioning strategy for prior acquisitions. If the Company were to close on all of these acquisitions, the total investment would be approximately \$150 million. No assurances can be given that the Company will acquire any or all of these properties.

Current Development Communities. The Company has acquired three land

parcels and has under contract one additional land parcel on which it is building, or plans to commence building in the near future, the Current Development Communities with a total of 1,574 apartment homes. The Company estimates that the total construction costs for all four Current Development Communities will be approximately \$202.4 million.

The following is a description of the Current Development Communities:

<TABLE>
<CAPTION>

CURRENT DEVELOPMENT COMMUNITIES	ESTIMATED APARTMENT HOMES	ACTUAL/ ESTIMATED CONSTRUCTION INITIATION	ESTIMATED FIRST OCCUPANCY	ESTIMATED DATE OF STABILIZED OCCUPANCY	ESTIMATED TOTAL CONSTRUCTION COST (1) (IN MILLIONS)
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
1. Rosewalk San Jose, CA	300	4th Q, 1995	3rd Q, 1996	2nd Q, 1997	\$ 30.4
2. Lawrence Expressway Site Sunnyvale, CA	709	3rd Q, 1996	2nd Q, 1997	4th Q, 1998	95.7
3. Stevens Creek Blvd. Site San Jose, CA(2)	315	2nd Q, 1997	1st Q, 1998	4th Q, 1998	44.1
4. The Alameda Site(3) San Jose, CA	250	4th Q, 1997	2nd Q, 1998	2nd Q, 1999	32.2
	-----				-----
Totals/Weighted Average	1,574				\$ 202.4
	=====				=====

</TABLE>

- -----

- (1) Estimated Total Construction Cost includes interest that is capitalized during the construction period. In accordance with GAAP, the Company capitalizes interest during the construction period on a per-building basis until the building is available for occupancy.
- (2) The Company currently owns 2.5 acres of this site and has entered into a contract to acquire the contiguous 5.4 acres.
- (3) The Company has entered into a contract to acquire this site.
- Rosewalk, San Jose, CA. The Company purchased the 10.8 acre parcel in October, 1995, began construction immediately, and is currently building a 300 apartment home community. The site is located approximately five miles south of downtown San Jose, on a major expressway at its intersection with Highway 85 and a light rail station, and immediately adjacent to both neighborhood and regional shopping. The community will contain a large leasing facility and business center, a fitness center, a 75 foot lap pool, secure parking and a perimeter gate system.
 - Lawrence Expressway Site, Sunnyvale, CA. The Company purchased this partially built and abandoned 17.8 acre site in May, 1996. Prior to its purchase, the Company obtained all necessary public approvals for the construction of a 709 apartment home community. The site, located approximately at the intersection of Highway 101 and Lawrence Expressway, is at the center of Silicon Valley. Approximately 225,000 cars pass the site every business day. Approximately 150,000 people work within a 3.5 mile radius surrounding the site. As currently planned, this Current Development Community will contain a large leasing pavilion, business center, fitness center, two swimming pools, including one 75 foot lap pool, a small commercial area, secure underground parking and a perimeter gate system.
 - Stevens Creek Blvd. Site, San Jose, CA. The Company purchased 2.5 acres of this 7.9 acre site in May, 1996. The Company has the remainder of this site under contract and intends to purchase it after obtaining the necessary public approvals for development of the community. The Company is currently in the process of obtaining the necessary public approvals for this 315 apartment home community.

S-32

The site is located at the intersection of Stevens Creek Blvd. and Interstate 280, in the northwest corner of San Jose, almost immediately adjacent to the City of Cupertino. The community will include a large leasing facility, business center, fitness center, 75 foot lap pool, secure underground parking and perimeter gate system.

- The Alameda Site, San Jose, CA. The Company is under contract to purchase this 7.4 acre parcel after it obtains the necessary public approvals for development of the community. The site is located on a major street, approximately one mile from downtown San Jose. The Company intends to build a 250 apartment home community with a large leasing pavilion, business center, fitness center, 75 foot lap pool, a small commercial area and secure underground parking.

The Company is conducting due diligence on The Alameda Current Development Community site and there are certain conditions that must be satisfied prior to acquisition by the Company. There can be no assurance that the Company will acquire this site or that the Company will be able to construct apartment home communities on the Current Development Community sites as currently contemplated. See "Risk Factors -- Development and Acquisition Risks."

The Company is also negotiating various additional potential development opportunities which, if acquired and built, could permit the future development of more than 1,000 new apartment homes. If the Company were to acquire and develop all of these land parcels, the Company estimates that total development costs would be approximately \$125 million. No assurances can be given that the Company will acquire any or all of these land parcels, that permits can be obtained, that development will proceed or that, if development does proceed, the land parcels can be developed at or under the Company's cost estimates and within its proposed time-frame.

FINANCING ACTIVITY

Initial Offering. The Company sold 9,469,341 shares of Common Stock to the public at a price of \$20.00 per share in the Initial Offering on March 10, 1994. The gross proceeds totaled approximately \$189.4 million, and the Company received net proceeds of approximately \$173.9 million after the payment of offering expenses. The net proceeds were used to acquire the Company's ownership interests in the then-existing Communities, including the acquisition of five Communities concurrently with the Initial Offering.

Exercise of Over-Allotment Option. Concurrently with the Initial Offering, the Company issued an additional 1,420,401 shares of Common Stock pursuant to the underwriters' over-allotment option granted in connection with the Initial Offering and received net proceeds of approximately \$26.1 million. These proceeds were used to purchase the Reflections and Village Square Communities.

Tax-Exempt Bond Refinancing. In June, 1995, the Company completed an \$89.4 million financing of both new and restructured tax-exempt bonds with a 30-year credit enhancement provided by FNMA. The Company has effectively fixed the interest rate on this debt for a 15-year period at an all-inclusive interest rate of approximately 6.48% per annum through interest rate swap agreements. The FNMA credit support is collateralized by liens on five Bond-financed Communities (Barrington Hills, Canyon Creek, Crossbrook, Rivershore and Sea Ridge) and four other Communities (Reflections, Blairmore, Village Square and Willow Creek).

In December, 1995, the Company reissued \$20.8 million in tax-exempt debt, collateralized by the City Heights Community. The debt bears interest at a rate of 30-day LIBOR, reset weekly, plus 0.25%, which, including financing costs, is currently approximately 6.25% per annum. The Company intends to reissue the bonds again in the third quarter of 1996 on a long-term, fixed-rate basis and to obtain a long-term "AAA" guaranty for the bond reissuance through either the FGIC or one of the existing FNMA guaranty agreements.

The Credit Facilities and Construction Loans. In January, 1995, the Company restructured the GECC Credit Facility, increasing the availability from \$40 million to \$80 million, reducing the borrowing cost from 30-day LIBOR plus 3.75% per annum to 30-day LIBOR plus 2.25% per annum and providing the Company with an option to extend the term for one additional year until January, 1998.

In December, 1995, the Company repaid a \$26 million construction loan, which had an interest rate of LIBOR plus 2.25% per annum, and replaced the Wells Fargo Credit Facility, which also had an interest rate of LIBOR plus 2.25% per annum, with the Union Bank Credit Facility, which was a secured \$47 million line of credit for both acquisition and construction with an interest rate of LIBOR plus 1.6% per annum. In

S-33

December, 1995, the Company also obtained the Union Bank Construction Loan, which provides for approximately \$25.5 million of borrowings at an interest rate of LIBOR plus 2.15% per annum.

In May, 1996, the Company replaced both the \$80 million secured GECC Credit Facility and the \$47 million secured Union Bank Credit Facility with the \$150 million Unsecured Credit Facility. The Unsecured Credit Facility matures in May, 1999, and bears interest at a rate of LIBOR plus 1.55% per annum. The margin over LIBOR will be reduced to 1.45% per annum if the Company obtains an investment grade unsecured debt rating equivalent to at least "BBB-", or 1.30% per annum if the Company obtains a rating equivalent to at least "BBB", from Standard & Poor's Ratings Group, Moody's Investors Service and/or another rating company acceptable to Union Bank of Switzerland.

Equity Offerings Since the Initial Offering. On September 18, 1995, the Company entered into a purchase agreement to sell approximately \$49.2 million of newly issued convertible Series A Preferred Stock to an institutional investor. The approximately 2.3 million shares of Series A Preferred Stock were sold at a price of \$21.325 per share, which was the average closing price of the Company's Common Stock during the 10 trading days immediately preceding September 18,

1995. The sale of the Series A Preferred Stock closed on October 2, 1995. The proceeds of the sale were used to acquire The Promenade, City Heights, and The Pointe Communities and to reduce the Company's outstanding debt. The holders of the Series A Preferred Stock are entitled to receive a dividend equal to 103% of the dividend paid on the Common Stock. The Series A Preferred Stock generally has no voting rights and, during the first three years following issuance, generally cannot be converted into shares of Common Stock. Thereafter, the Series A Preferred Stock may be converted on a share-for-share basis into shares of Common Stock, subject to certain ownership limitations. After ten years following issuance, all outstanding shares of the Series A Preferred Stock must be converted into shares of Common Stock. The holders of the Series A Preferred Stock received registration rights for the shares of Common Stock issuable upon conversion of the Series A Preferred Stock.

In May, 1996, the Company sold approximately \$10 million of convertible Series B Preferred Stock and \$40.5 million of Common Stock to a number of institutional investors. The Company sold 1,248,191 shares of Common Stock in a direct placement at a price of \$24.44 per share, which reflected a 1% discount from the average closing price of the Common Stock during the 10 trading days immediately preceding May 2, 1996, the last trading day prior to the date on which the sale was priced. The Company also sold 405,022 shares of Series B Preferred Stock together with 413,223 shares of Common Stock in an underwritten offering at a weighted average sales price of \$24.44 per share. The proceeds of the sale were used to acquire the Park Centre, Parkside Commons and Sunset Towers Communities and to repay borrowings under the Unsecured Credit Facility. The Series B Preferred Stock has substantially the same terms as the Series A Preferred Stock. The holders of the Series B Preferred Stock are entitled to receive a dividend equal to 103% of the dividend paid on the Common Stock. The Series B Preferred Stock generally has no voting rights and, except in certain limited circumstances, cannot be converted into Common Stock prior to October, 1998. Thereafter, the Series B 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 the Series B Preferred Stock will be automatically converted into shares of Common Stock. The holders of the Series B Preferred Stock have registration rights for the shares of Common Stock issuable upon conversion of the Series B Preferred Stock.

S-34

THE COMMUNITIES

THE COMMUNITIES

As of June 30, 1996, the Company owned, or held substantially all of the ownership interests in, and managed 27 apartment communities containing 7,093 apartment homes, most of which are located in Northern California, primarily in the San Francisco Bay Area. The Company has designed, developed and constructed 11 of the Communities, each of which has operated at an average occupancy rate of greater than 95% since stabilized occupancy, and has acquired and redeveloped or initiated redevelopment programs at 16 of the Communities. Stabilized occupancy is defined as the first month in which the Community achieves 95% occupancy, which typically occurs between six and nine months after completion of construction, depending on the size of the Community. All of the Communities are managed by the Company.

The Communities generally are in locations that provide them with a competitive advantage. The Company frequently selects in-fill, urban locations where no other comparable, competitive apartment community can be built. Similarly, the Company's high quality standards for the development and construction of new communities as well as the reconstruction of acquired communities often results in the Communities being the most attractive and having the best rental value within their immediate market. Generally, the Communities also have the advantage of being located in high visibility areas in close proximity to major transportation arteries, mass transit lines, commercial districts, shopping or other services. Apartment communities located in high visibility areas not only provide many conveniences to residents, but also encourage greater walk-in traffic and, consequently, improve leasing opportunities and allow the Company to operate with reduced marketing costs.

With the exception of those mid-rise Communities located in the most urban areas of San Francisco, the Communities typically are contemporary two- and three-story buildings in extensively landscaped settings with lush gardens, fountains or waterscapes. The objectives of the site layout and building design are to provide residents with convenient indoor or covered parking, ample private storage areas and a comfortable living environment. Most of the Communities feature solar-heated swimming pools, hydro-jet spas, high-tech fitness facilities, and expansive community areas. The apartment homes typically offer spacious, open living areas with an abundance of natural light, and many of the following amenities: ceiling fans, vaulted ceilings, patios or balconies, fireplaces, designer coordinated carpeting and window treatment, separate in-home laundry rooms with washing machines and dryers, and fully-equipped kitchens often with built-in buffets, wine racks, microwaves, disposals and dishwashers. In many cases, the Company makes certain other services available to residents such as business centers, aerobics classes, dry cleaning pick-up and delivery, and mail drops and package acceptance.

In addition to the physical advantages of the Communities, the Company attributes its success to a highly-trained professional on-site management and maintenance staff that provides courteous and responsive service to the residents of each Community. Management believes that excellent design and intensive, service-oriented property management that is focused on the specific needs of residents create a very desirable living environment for residents. This combination of features allows the Company to achieve higher rental rates and occupancy levels while minimizing resident turnover and operating expenses and maximizing current and long-term cash flow and the value of the Communities.

The Company designs its Communities to control costs both during construction and operation and to provide maximum long-term investment value and resident appeal. In connection with the preparation of the design and plans for each Community and the apartment homes therein, the Company's employees have regular meetings with all of the major trade contractors associated with the project to ensure that the Communities are well-planned and construction is well-coordinated, thereby minimizing the possibility for construction cost overruns. The Company takes additional steps to control construction costs, such as widely bidding all phases of the construction project and negotiating detailed contracts with subcontractors so that the construction process has little or no change orders or unanticipated costs.

S-35

The Company includes many long-term durable features in the design of Communities that it constructs to maximize the useful life of the Communities. For example, on newly constructed Communities, the Company typically uses concrete tile roofs or heavy duty fire resistant composition shingles, cast iron drains, waste and vent pipes, copper water pipes, extra deep base rock and asphalt lifts. In addition, extensive measures are employed to minimize noise between apartment homes. The Company uses condominium standards for this purpose, including the use of double walls and double insulation between apartment homes, lightweight concrete on floors and insulation between ceilings and floors. Whenever possible, the Company locates closets, bathrooms, and laundries against common walls to minimize sound transmission.

S-36

The following table sets forth certain information regarding the Communities as of June 30, 1996:

<TABLE>								
<CAPTION>								
			YEAR OF	NUMBER				
			ORIGINAL	OF		1 BR/	1 BR/	2 BR/
2 BR/	COMMUNITY	LOCATION	OWNERSHIP	CONSTRUCTION	APT. HOMES	JUNIOR	1 BATH	1
BATH	2 BATH							

---	-----							
<S>		<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>								
Rivershore		Bay Point, CA	100%	1986	245	0	46	0
143								
Canyon Creek		Campbell, CA	100%	1995	348	0	156	0
180								
The Pointe		Fairfield, CA	100%	1991	296	0	130	28
138								
Regatta Bay		Foster City, CA	100%	1973	288	40	125	123
0								
Alicante		Fremont, CA	100%	1992	135	0	42	0
81								
Hampton Place		Fremont, CA	100%	1992	308	0	88	0
175								
Willow Creek		Fremont, CA	100%	1985	235	0	99	0
136								
Reflections		Fresno, CA	100%	1991	516	0	193	193
130								
Barrington Hills		Hayward, CA	100%	1986	188	0	48	0
140								
Waterford		Hayward, CA	100%	1986	544	0	208	0
336								
Glen Creek		Morgan Hill, CA	100%	1989	138	0	58	0
79								
Villa Mariposa		Mountain View, CA	94%(2)	1986	248	0	108	0
88								
Sea Ridge		Pacifica, CA	100%	1971	220	0	58	106
56								
Hacienda Gardens		Pleasanton, CA	100%	1988	456	0	238	0
218								
Blairmore		Rancho Cordova, CA	100%	1986	252	0	114	40
98								
Crossbrook		Rohnert Park, CA	100%	1986	226	0	88	30
108								
City Heights		San Francisco, CA	100%	1990	185	46	114	

25	Sunset Towers	San Francisco, CA	100%	1961	243	20	179	20
24	Village Square	San Francisco, CA	100%	1973	154	0	90	0
49	Carriage Square	San Jose, CA	100%	1995	324	0	90	0
210	Fairway Glen	San Jose, CA	100%	1986	144	0	64	0
80	Foxchase	San Jose, CA	100%	1987	396	0	155	0
241	San Marino	San Jose, CA	100%	1988	248	0	101	0
147	Parkside Commons	Sunnyvale, CA	100%	1991	192	0	60	0
96	Promenade	Sunnyvale, CA	100%	1987	220	44	112	10
54	Park Centre	Union City, CA	100%	1973	208	0	125	83
0	Sommerset	Vacaville, CA	100%	1987	136	0	32	56
48								
---					-----	---	-----	---
---	Totals/Average				7,093	150	2,921	689
3,080					=====	===	=====	===

<CAPTION>

COMMUNITY	3 BR/ 2 BATH	3 BR/ 3 BATH	APPROXIMATE RENTABLE AREA SQUARE FEET	AVERAGE UNIT SIZE (SQUARE FEET)	AVERAGE RENT FOR APT. HOMES AT 6/30/96 (1)	AVERAGE RENT PER SQUARE FOOT AT 6/30/96	PHYSICAL OCCUPANCY AT 6/30/96
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Rivershore	56	0	206,275	842	\$ 648	\$ 0.77	97.14%
Canyon Creek	0	12	321,480	924	1,177	1.27	98.85
The Pointe	0	0	259,248	876	781	0.89	97.97
Regatta Bay	0	0	222,458	772	1,002	1.30	98.26
Alicante	0	12	128,519	952	1,172	1.23	99.26
Hampton Place	0	45	322,036	1,046	1,236	1.18	99.03
Willow Creek	0	0	192,595	820	961	1.17	98.72
Reflections	0	0	422,040	818	561	0.69	93.99
Barrington Hills	0	0	168,557	897	871	0.97	97.34
Waterford	0	0	448,208	824	817	0.99	95.77
Glen Creek	1	0	113,037	819	926	1.13	98.55
Villa Mariposa	52	0	209,314	844	1,237	1.47	99.19
Sea Ridge	0	0	186,800	849	968	1.14	99.09
Hacienda Gardens	0	0	366,062	803	959	1.19	98.90
Blairmore	0	0	212,340	843	560	0.66	96.83
Crossbrook	0	0	164,900	730	683	0.94	97.35
City Heights	0	0	109,335	591	1,050	1.78	97.30
Sunset Towers	0	0	172,044	708	1,029	1.45	99.59
Village Square	15	0	123,047	799	1,078	1.35	100.00
Carriage Square	0	24	323,256	998	1,280	1.28	98.77
Fairway Glen	0	0	118,876	826	963	1.17	98.61
Foxchase	0	0	334,288	844	1,023	1.21	98.74
San Marino	0	0	208,470	841	978	1.16	98.39
Parkside Commons	36	0	199,296	1,038	1,373	1.32	97.92
Promenade	0	0	160,398	729	992	1.36	97.73
Park Centre	0	0	165,640	796	752	0.94	97.12
Sommerset	0	0	102,080	751	656	0.87	97.79
----	----	----	----	----			
Totals/Average	160	93	5,960,599	840			
	=====	=====	=====	=====			

</TABLE>

(1) Excludes washer/dryer hookup fees, covered parking fees, credit check and application fees and other similar charges.

(2) This Community is owned in fee by a partnership in which the Company holds a 94% general partnership interest and an unrelated third party owns the remaining 6% limited partner interest.

SUMMARY OF AMENITIES OF THE COMMUNITIES

The following table presents certain amenities of the Communities as of June 30, 1996:

<TABLE>
<CAPTION>

APARTMENT AMENITIES (1)										
ACTIVITY COMMUNITY CENTER	NUMBER	OF APT.	PATIO OR	WASH/ DRY	INSTALLED WASHER/ DRYER	INDOOR/ COVERED PARKING	MICRO- WAVES (3)	CEILING FANS (3)	VAULTED CEILING	FIRE- PLACES
	HOMES	BALCONY	HOOK-UP							
<S>	<C>	<C>	<C>	<C>		<C>	<C>	<C>	<C>	<C>
Rivershore	245	100%	--	--	--	100%	--	--	50%	--
Canyon Creek	348	100%	100%	80%	100%	100%	100%	100%	33%	--
The Pointe	296	100%	100%	45%	100%	100%	47%	100%	--	34%
Regatta Bay	288	100%	--	--	100%	100%	--	--	--	--
Alicante	135	100%	100%	100%	100%	100%	100%	100%	33%	33%
Hampton Place	308	100%	100%	100%	100%	100% (5)	100%	100%	33%	33%
Willow Creek	235	100%	100%	43%	100%	100%	100%	100%	--	--
Reflections	516	100%	100%	100%	100%	100%	--	--	63%	100%
Barrington Hills	188	100%	100%	100%	100%	100%	100%	--	33%	--
Waterford	544	100%	2%	1%	100%	100%	100%	100%	44%	--
Glen Creek	138	100%	100%	100%	100%	100%	100%	80%	32%	--
Villa Mariposa	248	100%	100%	60%	100%	100%	100%	100%	29%	--
Sea Ridge	220	100%	--	--	--	99%	14%	--	--	27%
Hacienda Gardens	456	100%	100%	100%	100%	100%	--	--	33%	69%
Blairmore	252	100%	100%	41%	100%	100%	75%	100%	--	39%
Crossbrook	226	100%	--	--	100%	100%	--	--	50%	--
City Heights	185	16%	--	--	--	57%	--	--	--	--
Sunset Towers	243	41%	--	--	--	49%	--	--	--	--
Village Square	154	100%	--	--	100%	100%	3%	--	33%	--
Carriage Square	324	100%	100%	100%	100%	100%	100%	100%	33%	--
Fairway Glen	144	100%	100%	50%	100%	100%	100%	97%	24%	--
Foxchase	396	100%	100%	50%	100%	100%	100%	100%	43%	--
San Marino	248	100%	100%	42%	100%	100%	100%	100%	5%	--
Parkside Commons	192	86%	100%	--	100%	100%	--	--	33%	40%
Promenade	220	100%	55%	--	100%	100%	--	--	--	--
Park Centre	208	100%	--	--	100%	100%	--	--	--	41%
Sommerset	136	100%	--	--	--	95%	--	100%	--	--

<CAPTION>

RECREATIONAL AMENITIES (2)							
COMMUNITY	FOUNTAINS OR						
	SWIMMING POOLS	FITNESS CENTER	HYDROJET SPAS	PICNIC AREA	WATER- SCAPES	WALK TO SHOPPING	WALK TO RAIL (4)
<S>	<<C>						
Rivershore	1	1	1	1	Yes	Yes	Yes
Canyon Creek	1	1	1	--	--	Yes	--
The Pointe	3	1	1	--	--	Yes	--
Regatta Bay	1	1	--	--	--	Yes	--
Alicante	1	1	1	--	Yes	Yes	Yes
Hampton Place	1	1	1	--	--	Yes	Yes
Willow Creek	1	1	1	1	--	Yes	--
Reflections	3	1	3	--	Yes	Yes	--
Barrington Hills	1	1	1	--	--	Yes	Yes
Waterford	2	1	4	--	Yes	Yes	--
Glen Creek	1	1	2	--	Yes	Yes	--
Villa Mariposa	1	1	1	1	--	Yes	Yes
Sea Ridge	1	1	1	--	--	Yes	--
Hacienda Gardens	2	1	2	--	Yes	--	Yes
Blairmore	1	1	1	3	Yes	Yes	--
Crossbrook	1	1	1	4	--	Yes	--
City Heights	1	1	--	1	--	Yes	Yes
Sunset Towers	--	--	--	--	--	Yes	Yes
Village Square	1	1	--	--	--	Yes	--
Carriage Square	1	1	1	--	Yes	Yes	Yes
Fairway Glen	1	--	2	1	--	Yes	--
Foxchase	2	1	2	--	Yes	Yes	Yes
San Marino	2	1	2	1	--	Yes	--
Parkside Commons	1	1	1	1	--	--	--
Promenade	1	1	1	1	Yes	Yes	Yes
Park Centre	2	1	--	1	--	Yes	Yes
Sommerset	1	--	1	3	--	Yes	--

<CAPTION>

COMMUNITY	OTHER
Rivershore	Playground, BART Opens Soon
Canyon Creek	Aerobics
The Pointe	Sauna, Playground
Regatta Bay	Playground, Walk to Bus

Alicante	Aerobics, Walk to Downtown
Hampton Place	Aerobics, Walk to Downtown
Willow Creek	--
Reflections	Volleyball, Walk to Bus
Barrington Hills	Playground, Walk to BART
Waterford	Walk to Park
Glen Creek	Sauna, Walk to Downtown
Villa Mariposa	Adjacent Park, Walk to Downtown
Sea Ridge	Open Areas
Hacienda Gardens	Playground, BART Opens Soon
Blairmore	Open Areas
Crossbrook	Walk to Park
City Heights	Walk to Union Square, BART
Sunset Towers	Walk to UC Medical Center
Village Square	Sauna, Playground
Carriage Square	Aerobics, Walk to Regional Mall
Fairway Glen	Adjacent Country Club, Park
Foxchase	Walk to Regional Mall
San Marino	Sauna, Walk to Regional Mall
Parkside Commons	Playground, Walk to Park
Promenade	Aerobics
Park Centre	Sauna, Walk to BART
Sommerset	Playground

- - - - -

- (1) Reflects the percentage of apartment homes containing the specified amenity at each Community.
- (2) Reflects the number of the specified amenity at each Community.
- (3) The Company intends to add this amenity to each apartment home that currently does not contain this amenity upon the next vacancy of the apartment home.
- (4) A rapid transit line, Bay Area Rapid Transit (BART), is expected to be in operation near certain of the Communities in 1997.
- (5) Hampton Place offers 308 garage parking spaces and 76 additional covered parking spaces.

S-38

LEGAL PROCEEDINGS

Neither the Company nor any of the Communities are 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 litigation and administrative proceedings arising in the ordinary course of business, some of which are expected to be covered by liability insurance and none of which individually or in the aggregate is expected to have a material adverse effect on the business, financial condition or results of operations of the Company.

THE MARKETS

SAN FRANCISCO BAY AREA

Twenty-five of the 27 Communities are located in the nine county San Francisco Bay Area. The Company believes that the markets in Northern California, and particularly in the San Francisco Bay Area, are attractive markets in which to expand its upscale apartment community operations. The high cost of home ownership and current economic conditions in the San Francisco Bay Area, including high income levels, limited new apartment construction and continued population and household growth, make the upscale apartment community market particularly attractive.

The San Francisco Bay Area is one of the wealthiest regions in the United States with an expected 1996 mean household income of \$84,040, or approximately 83% greater than the expected 1996 national average of \$46,027. In addition, the San Francisco Bay Area has the State of California's highest percentage of college graduates, highest percentage of managerial and professional occupations and lowest unemployment rate. Nevertheless, in 1995, only 36% of the households in the San Francisco Bay Area could afford the median priced, single-family home. These factors, coupled with the limited construction of new apartment homes, increase rental demand. The Rosen Consulting Group has projected that the reduced rate of new construction, coupled with expected low vacancy rates and stable demand, will fuel growth in rental revenues and apartment values in the San Francisco Bay Area in the next decade.

Increasing Rental Rates. Rental demand, as evidenced by market rental rates for apartments in the San Francisco Bay Area, and particularly in the Primary Markets, has increased significantly over the past 18 months. The following is a summary of certain information set forth in the Roulac Report:

<TABLE>
<CAPTION>

MONTHLY RENTAL RATES

ON NEW LEASES						
COUNTY	WEIGHTED AVERAGE EFFECTIVE RENTS (1)	WEIGHTED AVERAGE EFFECTIVE RENTS PSF (1)	RENT INCREASES ON NEW LEASES		VACANCY RATES AS OF	
			1995	FIRST HALF OF 1996	1/1/96	6/30/96
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Alameda.....	\$ 1,019	\$1.19	5.26%	5.93%	1.44%	0.40%
San Francisco.....	\$ 1,382	\$1.92	8.12%	11.18%	2.30%	0.58%
San Mateo.....	\$ 1,254	\$1.58	5.97%	12.88%	1.04%	0.32%
Santa Clara.....	\$ 1,321	\$1.55	16.46%	12.04%	0.36%	0.42%

</TABLE>

- - - - -

(1) The Roulac Report defines "Effective Rent" as the average asking rent for a particular community less the value of all concessions, including, without limitation, moving allowances or discounts.

The Company believes that the combination of increasing rental rates and declining vacancy rates provides an opportunity for future revenue growth. However, there are practical limitations on the Company's ability to increase rental rates for existing residents and the Company currently has a policy of limiting rent increases for most lease renewals by existing residents to no more than 10% per annum. In addition, two of the Communities, Village Square and Sunset Towers, are subject to rent control restrictions. Consequently, the actual market rates for apartments in the Primary Markets have recently risen much more rapidly than the Company's rental rates. As a result, as of June 30, 1996, the difference between the revenues generated by the Company's existing leases and current market rents, known within the industry as the "loss to lease," was approximately 8%, or \$588,000 per month and more than \$7.0 million per year.

Increasing Demand. The demand for apartment homes in the San Francisco Bay Area, and particularly in the Primary Markets, has been growing substantially over the past 18 months. According to the Rosen

S-39

Consulting Group, the population of the Primary Markets (approximately 4.4 million) is expected to grow at a rate in excess of 1% per year, or approximately 50,000 people per year, from 1995 through 2000.

[GRAPH - Historical and Projected Population Growth in the Primary Markets]

In addition, according to the Rosen Consulting Group, from 1990 through 2000 the Primary Markets are expected to gain on average approximately 13,000 new households per year with the majority of growth expected to occur from 1995 through 2000.

[GRAPH - Historical and Projected Household Growth in the Primary Markets]

S-40

Limited Supply. Notwithstanding the steady increase in demand for apartment homes in the San Francisco Bay Area and the Primary Markets, the supply of new rental housing in the San Francisco Bay Area and in the Primary Markets has failed to keep pace with demand over the past 10 years. According to the Rosen Consulting Group, the number of multifamily permits issued in the San Francisco Bay Area declined from 25,197 in 1986 to an expected 5,800 in 1996, or approximately 77%. During the same period, the number of multifamily permits issued in the Primary Markets declined from 14,548 to an expected 3,461 in 1996, or approximately 76%.

[GRAPH - Multifamily Permits Issued in the Primary Markets]

The decline in multifamily permits issued is attributable to a number of factors, including (i) the shortage and high cost of available land, (ii) strict public planning procedures, (iii) high governmental fees, and (iv) high development and construction costs. These factors, as well as others, constrain the supply of rental housing in the San Francisco Bay Area and in the Primary Markets.

S-41

High-Cost Alternatives. The imbalance between the demand for and the supply of apartment homes is not necessarily alleviated by alternative housing opportunities, which are very expensive in the San Francisco Bay Area and in the Primary Markets. According to the Rosen Consulting Group, the median cost of a single-family home in the San Francisco Bay Area and in the Primary Markets, on a weighted average basis, is expected to be approximately \$250,719 and \$259,315, respectively, in 1996, compared to an estimated \$117,500 for the U.S. for 1996.

Although the mean household income in 1996 in the San Francisco Bay Area and in the Primary Markets is estimated to be \$84,040 and \$87,354, respectively, only 36% of the households in the San Francisco Bay Area and 41% in the Primary Markets could afford the median priced single-family home in 1995.

[GRAPH - Percentage of Households in 1995 that could Afford the Median Priced Single-Family Home]

According to U.S. Census Bureau 1990 data, approximately 44% of the households in the San Francisco Bay Area and 47% of the households in the Primary Markets were rental households. This compares favorably to the 36% of rental households in the U.S. in 1990.

[GRAPH - Percentage of Rental Households]

S-42

ORANGE COUNTY

The Company is considering buying and rebuilding existing apartment communities in Orange County, beginning in the third quarter of 1996. The Company has selected Orange County as a potential new submarket because it believes that Orange County, particularly the area around Newport Beach and the Pacific Ocean, is poised for rapid growth in the coming years. The Company is basing this belief upon the increased demand for and limited supply of upscale apartment homes. The Company believes that Orange County's current economic situation, particularly in the southern portion of the county, is very similar to that of the San Francisco Bay Area in the middle of 1994 at the time of the Initial Offering. The Company believes that it can purchase apartment communities in Orange County at less than 65% of replacement cost and substantially rebuild the communities to "almost like-new condition" at a total cost of less than 80% of replacement cost.

Demand Growth. The Company believes that Orange County's economy, particularly in the southern portion of Orange County, has recovered from the recession of the early 1990s and from the county's 1994 bankruptcy. According to the Rosen Consulting Group, household formation will grow 1.4% per year between 1995 and 2000. The Rosen Consulting Group further anticipates that total non-agricultural employment will grow at an annual compounded rate of 2.5% through the year 2000. Consequently, the Company sees population, job and household growth increasing in the southern portion of Orange County in the coming years. The Rosen Consulting Group estimates that 22,400 new renter households will be created in Orange County during the second half of this decade as a result of this growth.

Limited Supply. Construction on new apartment homes in Orange County fell off significantly during the first half of the 1990s. New apartments delivered fell from 5,871 in 1989 to 1,759 in 1995. Consequently, the Company believes that demand will continue to outpace supply in the foreseeable future.

UNSECURED CREDIT FACILITY, MORTGAGE DEBT AND BOND FINANCING

UNSECURED CREDIT FACILITY

To facilitate its growth strategies, the Company has in place acquisition, development and construction financing in the aggregate amount of approximately \$175.5 million, of which approximately \$97.2 million was available as of June 30, 1996.

In May, 1996, the Company entered into the Unsecured Credit Facility, which provides for borrowings of up to \$150 million and has an interest rate of LIBOR (with a maturity selected by the Company) plus 1.55% per annum. The margin over LIBOR will be reduced to 1.45% per annum if the Company obtains an investment grade unsecured debt rating equivalent to at least "BBB-", or 1.30% per annum if the Company obtains a rating equivalent to at least "BBB", from Standard & Poor's Ratings Group, Moody's Investors Service and/or another rating company acceptable to Union Bank of Switzerland. The Unsecured Credit Facility matures in May, 1999.

TAX-EXEMPT FINANCING

Ten of the Communities and two of the Current Acquisition Communities are currently financed with obligations issued by various local government agencies or instrumentalities, the interest on which is excludable from the gross income of the recipient for federal and California income tax purposes. These obligations are commonly referred to as tax-exempt bonds.

In order for the Bonds to be tax-exempt, the Company must comply with various federal tax restrictions on the use of the Communities. The Company has agreed to these restrictions and will agree to similar restrictions in the future where management believes that the economic benefits received outweigh the economic costs of these restrictions. Each of the Communities that is financed with Bonds is subject to the requirement that at least 20% of the apartment homes must be occupied or held available for occupancy by residents with gross incomes that do not exceed 80% of the median income (50% of the

median income in the case of the Canyon Creek and Sea Ridge Communities) in the area during, in certain cases, the entire period

S-43

in which the related Bonds remain outstanding, but in no event less than ten years after the date on which at least 50% of the apartment homes in the related Community were first occupied, or such longer period as determined in accordance with the Code or the related Bond documents. 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 the areas in which the Bond-financed Communities are located, the Department of Housing and Community Development uses a median income for purposes of the foregoing requirements that ranges from \$49,200 to \$67,400. Because the median income for these requirements is relatively high, the Company believes that the rental requirements have been satisfied without significant reduction in aggregate rental rates. In order to achieve a lower interest cost on the Bonds, the Company has obtained the Credit Enhancements described below. The purpose of the Credit Enhancements is to guarantee scheduled interest and principal payments due to the holders of the Bonds, enabling the Bonds to receive an investment grade rating.

In June, 1995, the Company completed an \$89.4 million financing of both new and restructured tax-exempt bonds with a 30-year credit enhancement provided by FNMA. The Company has effectively fixed the interest rate on this debt for a 15-year period at an all-inclusive interest rate of approximately 6.48% per annum through interest rate swap agreements. The FNMA credit support is collateralized by liens on five Bond-financed Communities, Barrington Hills, Canyon Creek, Crossbrook, Rivershore and Sea Ridge, and four other Communities, Reflections, Blairmore, Village Square and Willow Creek.

In December, 1995, the Company reissued \$20.8 million in tax-exempt debt collateralized by the City Heights Community. The debt bears interest at a rate of 30-day LIBOR, reset weekly, plus 0.25%, which, including financing costs, is currently approximately 6.25% per annum. The Company intends to reissue the bonds again in the third quarter of 1996 on a long-term, fixed-rate basis and to obtain a long-term "AAA" guaranty through either the FGIC or one of the existing FNMA guaranty agreements.

MORTGAGE DEBT

The following table summarizes the mortgage indebtedness of the Company as of March 31, 1996:

<TABLE> <CAPTION>							
	PRINCIPAL BALANCE	INTEREST RATE	PROJECTED INTEREST PAYMENT	PROJECTED PRINCIPAL AMORTIZATION	BOND CREDIT ENHANCEMENT		
BALANCE	AS OF	AS OF	4/1/96-	4/1/96-	EXPIRATION	MATURITY	
DUE ON							
COMMUNITY AND LOCATION	3/31/96	3/31/96	3/31/97	3/31/97	DATE	DATE	
MATURITY							
-----	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
TAX-EXEMPT FIXED RATE-FGIC(1)							
Fairway Glen, San Jose, CA	\$ 9,580,000	5.88%(1)	\$ 563,000	\$ 0	03/17/04	11/1/07	\$
9,580,000							
Foxchase, San Jose, CA	26,400,000	5.88%(1)	1,552,000	0	03/17/04	11/1/07	
26,400,000							
Villa Mariposa, Mountain View, CA	18,300,000	5.88%(1)	1,076,000	0	03/17/04	3/1/17	
18,300,000							
Waterford, Hayward, CA	33,100,000	5.88%(1)	1,946,000	0	03/17/04	8/1/14	
33,100,000							
-----	-----		-----	-----			---
Subtotal	87,380,000		5,137,000	0			
87,380,000							
TAX-EXEMPT FIXED RATE-FNMA(2)							
Barrington Hills, Hayward, CA	13,447,000	6.48%(2)	867,000	145,000	6/15/25	6/15/25	
0							
Crossbrook, Rohnert Park, CA	8,645,000	6.48%(2)	557,000	89,000	6/15/25	6/15/25	
0							
Rivershore, Bay Point, CA	10,541,000	6.48%(2)	679,000	128,000	11/15/22	11/15/22	
0							
Canyon Creek, Campbell, CA	38,800,000	6.48%(2)	2,514,000	0	6/15/25	6/15/25	
0							
Sea Ridge, Pacifica, CA	17,600,000	6.48%(2)	1,140,000	0	6/15/25	6/15/25	
0							
-----	-----		-----	-----			---
Subtotal	89,033,000		5,757,000	362,000			

0						
TAX-EXEMPT VARIABLE RATE						
City Heights, San Francisco, CA(3)	20,800,000	LIBOR+0.25%	1,416,000	0	N/A	3/1/18
20,800,000						
CONSTRUCTION FLOATING RATE						
Rosewalk	20,000	LIBOR+2.15%	1,000	0	N/A	10/1/97
20,000						

-----	-----	-----	-----	-----	-----	---
Total/Weighted Average	\$197,233,000	6.25%	\$12,311,000	\$362,000		
\$108,200,000						
-----	-----	---	-----	-----		---
-----	-----	---	-----	-----		---

</TABLE>						

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(1) Interest rates include annual costs associated with FGIC credit enhancement as well as related expenses. Alicante, Glen Creek, Hacienda Gardens and San Marino serve as additional collateral for the tax-exempt financing. These bonds bear interest at variable rates determined weekly by the remarketing agent which will not be less that the rate necessary for the market value of the bonds to equal the principal amount outstanding. The Company has entered into ten-year interest rate swap agreements under which the interest rate was effectively converted to a fixed rate of 5.88% per annum (which includes the annual costs of the FGIC credit enhancement and related costs). Such

S-44

swap agreements are with a financial institution rated "AAA" by Standard & Poor's and mature March 31, 2004. Terms of the debt call for monthly payments of interest only and a balloon payment at maturity of approximately \$87.4 million less any unscheduled payments of principal.

(2) Interest rates include annual costs associated with FNMA credit enhancement as well as related expenses. Blairmore, Willow Creek, Reflections and Village Square serve as additional collateral for the tax-exempt financing. These bonds bear interest at variable rates determined weekly by the remarketing agent which will not be less than the rate necessary for the market value of the bonds to equal the principal amount outstanding. The Company has entered into fifteen year interest rate swap agreements under which the interest rate was effectively converted to a fixed rate of 6.48% per annum (which includes the annual costs of the FNMA credit enhancement and related costs). Such swap agreements are with a financial institution rated "AAA" by Standard & Poors and mature June 30, 2010. Terms of the debt call for monthly payments of principal and interest (fully amortizing) through maturity.

(3) In December, 1995, these tax-exempt bonds were privately placed with an institutional investor without a third party credit enhancement. The Company has agreed to repurchase these bonds on or prior to September 10, 1996. The bonds bear interest at a rate of 30-day LIBOR, reset weekly, plus 0.25%, which as of March 31, 1996, was, including financing costs, approximately 6.81% per annum. The Company intends to reissue these bonds prior to September 10, 1996 on a long-term basis and to obtain "AAA" credit enhancement from either FGIC or FNMA.

S-45

MANAGEMENT AND DIRECTORS

The following table sets forth certain information with respect to the Directors and senior executive officers of the Company:

<TABLE>		
<CAPTION>		
NAME	AGE	OFFICE
-----	---	-----
<S>	<C>	<C>
EXECUTIVE OFFICERS		
Gilbert M. Meyer	51	Chairman of the Board, President and Chief Executive Officer
Max L. Gardner	44	Director, Executive Vice President and Chief Operating Officer
Geoffrey L. Baker	35	Director and Chief Development and Acquisition Officer
Jeffrey B. Van Horn	36	Chief Financial Officer and Vice President Accounting/Finance
Morton L. Newman	59	Vice President-Construction
Debra Lynn Shotwell	34	Vice President-Human Resources
Ronald Mukai	37	Controller
Richard Mehrer	50	Director of Management Information Systems
Daniel E. Murphy	37	Director of Apartment Development
Timothy J. Stanley	30	Director of Apartment Reconstruction

Brian J. Wirtz	32	Director of Apartment Acquisition
INDEPENDENT DIRECTORS		
Bruce A. Choate	48	Director
John J. Healy, Jr.	49	Director
Brenda J. Mixson	43	Director
Thomas H. Nielsen	65	Director

The following is a biographical summary of the experience of each of the Directors and senior executive officers of the Company:

EXECUTIVE OFFICERS

Gilbert M. Meyer is the founder, Chairman of the Board of Directors, President and Chief Executive Officer of the Company and, since 1978, continuously has been involved with the Company as an executive officer, director and shareholder. Mr. Meyer also was the founder and shareholder of certain affiliates of the Company. Prior to founding the Company, Mr. Meyer was Chief Financial Officer for BAS Homes and prior to that was a Vice President responsible for real estate workouts for Boise Cascade Credit Corporation. Mr. Meyer is a licensed Certified Public Accountant and General Contractor, and holds an M.B.A. degree from the University of California, Berkeley.

Max L. Gardner has been Executive Vice President and Chief Operating Officer of the Company since December, 1995. From 1988 to 1995, Mr. Gardner served as President and Chief Executive Officer of West RS, Inc. (d/b/a Trammell Crow Residential Services -- West), a company which specializes in the development, construction, finance and management of residential apartment properties. Mr. Gardner graduated from Duke University with a degree in Political Science, and he received a Master of Professional Accountancy from Georgia State University.

Geoffrey L. Baker has been a Director of the Company since December, 1993, and he served as the Company's Chief Operating Officer from December, 1993 until December, 1995. Mr. Baker resigned as the Company's Chief Operating Officer in order to become the Company's Chief Development and Acquisition Officer in December, 1995. From April, 1992 to December, 1993, Mr. Baker was a Project Manager for the Company. From 1989 to 1992, Mr. Baker was a Vice President in the commercial real estate group of Bank of America. Prior to 1989, Mr. Baker was Director of Acquisitions and Finance for Anthony Brown Development Company. Mr. Baker holds B.A. and M.B.A. degrees from the University of Michigan, Ann Arbor.

Jeffrey B. Van Horn has been Chief Financial Officer and Vice President Accounting/Finance of the Company since June, 1996. Prior to joining the Company, Mr. Van Horn was a partner in the real estate

S-46

services group with the accounting firm Arthur Andersen LLP. Mr. Van Horn joined Arthur Andersen in June 1982, was promoted to partner in September, 1995 and has worked with a wide variety of West Coast REITs and real estate companies. He has been involved in a number of initial public offerings, mergers and acquisitions and other audit, business and tax advisory services. In addition, Mr. Van Horn was a member of Arthur Andersen's national REIT tax specialty team. Mr. Van Horn earned a B.A. degree in Accounting from California State University -- Stanislaus and is a licensed Certified Public Accountant.

Morton L. Newman has been a Vice President -- Construction of the Company since 1985. In that capacity, Mr. Newman has managed the design, construction, and warranty services for over 5,000 apartments and single-family homes that the Company and its affiliates have built during that period. Previously, Mr. Newman was President of Newman Construction Company and has over 30 years experience in all aspects of residential and commercial construction. Mr. Newman is a graduate of the University of Pennsylvania and is a registered Civil Engineer in Pennsylvania and California.

Debra Lynn Shotwell has been a Vice President -- Human Resources of the Company since June, 1995. From July, 1990 to June, 1995, she was the Director -- Corporate Human Resources of PacificCare Health Systems, Inc. Ms. Shotwell graduated from California State University -- Sacramento with a degree in Business Administration.

Ronald Mukai has been Controller of the Company since August, 1995. From August, 1995 to June, 1996, Mr. Mukai also served as Chief Financial Officer of the Company. Mr. Mukai served as Chief Operating Officer of another multifamily residential company in the San Francisco Bay Area from 1989 to 1995. Mr. Mukai is a licensed Certified Public Accountant and is a graduate of the University of California, Berkeley.

Richard Mehrer has been the Director of Management Information Services of the Company since December, 1995. From April, 1994 to October, 1995 he was the Director of Management Information Services for Pinnacle Realty Management Company and prior to that he was the Director of Management Information Services for J.B. McLoughlin. Mr. Mehrer graduated from Western Washington University

with a B.A. degree in Economics and received a Masters in Organizational Psychology degree from the University of Southern California.

Daniel E. Murphy has been Director of Apartment Development of the Company since September, 1994. From 1990 to 1994, Mr. Murphy served as Vice President -- Development of Rosewood Property Company. Mr. Murphy also completed various development projects with Prometheus Development Company and Lincoln Property Company. Mr. Murphy received a B.S. degree in Civil Engineering from Cleveland State University and he received an M.S. degree in Civil Engineering/Construction Management from Stanford University.

Timothy J. Stanley has been Director of Apartment Reconstruction of the Company since August, 1994. Prior to joining the Company, Mr. Stanley was a Project Manager for Belanger and Associates. Mr. Stanley received a B.S. degree in Civil Engineering from the University of California, Berkeley, and an M.B.A. degree from the University of California, Los Angeles.

Brian J. Wirtz has been Director of Apartment Acquisition of the Company since July, 1994. From 1991 to 1994, Mr. Wirtz was a commercial appraiser with Carneghi-Bautovich & Partners, Inc., a San Francisco Bay Area consulting and appraisal firm, where he appraised over \$500 million worth of Northern California commercial real estate. Mr. Wirtz was also Senior Project Manager and Acquisitions Manager for two Southern California commercial development firms. Mr. Wirtz graduated from the University of Wisconsin, Madison with a B.B.A. degree in real estate and urban land economics.

INDEPENDENT DIRECTORS

Bruce A. Choate is a Director of the Company and has been Chief Financial Officer of Watson Land Company, a privately-held REIT in Carson, California since 1991. Prior to joining Watson Land Company, Mr. Choate was employed by Bixby Ranch Company, a privately-held real estate investment company in Seal Beach, California as Senior Vice President and Chief Financial Officer. Mr. Choate graduated from the

S-47

University of California, Los Angeles and attended the Graduate School of Business at the University of Southern California.

John J. Healy, Jr. was a founder and has been a managing principal of the Hanford/Healy Companies, a national commercial real estate services company, since 1988. He is also a managing principal of Hanford/Healy Appraisal Company, a national real estate appraisal and consulting firm, and a principal of Hanford/Healy Asset Management Company, a national real estate management firm. Mr. Healy graduated from Hofstra University with a B.B.A. in Finance, Investment and Banking and an M.B.A.

Brenda J. Mixson is a Director of the Company and has been Managing Director of the Emerging Markets, Fixed Income Department for ING (U.S.) Capital Corporation, a wholly owned subsidiary of Internationale Nederlanden Group N.V., since February, 1996. Ms. Mixson previously served as Vice President -- Real Estate Finance of ING Capital Corporation from March, 1995 to February, 1996. She served as an Executive Vice President and Chief Operating Officer of Reichmann International from April, 1994 to March, 1995. From 1989 to 1994, she was an Executive Vice President and Managing Director and a Regional Manager, Northeast Region, of Travelers Realty Investment Company. Prior to joining Travelers Realty Investment Company, Ms. Mixson was employed by Chemical Bank as a Vice President and Regional Manager. Ms. Mixson graduated from the University of Minnesota with a B.S. degree in Economics.

Thomas H. Nielsen is a Director of the Company and has been a self-employed consultant for large-scale real estate development projects since 1991. In 1993, Mr. Nielsen was named a Managing Director of the Orange County Office of U.S. Trust of California, N.A., and he held that position until July, 1995, at which time he was named Consulting Director. He also served as Chief Executive Officer of the Orange County Performing Arts Center from 1993 to 1995. From 1978 to 1990, Mr. Nielsen served in various positions for The Irvine Company, a privately-held real estate development company, including President and Vice Chairman, and he presently serves as a director. Mr. Nielsen holds a B.S. degree in Civil Engineering from the University of Washington and an M.B.A. degree from Stanford University.

S-48

UNDERWRITING

Subject to the terms and conditions set forth in an underwriting agreement (the "Underwriting Agreement") among the Company and the Underwriters named below (the "Underwriters") the Company has agreed to sell to each of the Underwriters named below, for whom PaineWebber Incorporated ("PaineWebber"), Dean Witter Reynolds Inc., A.G. Edwards & Sons, Inc. and Smith Barney Inc. are acting as representatives (the "Representatives"), and each of the Underwriters has severally agreed to purchase from the Company, the number of Shares set forth below opposite its name. Under the Underwriting Agreement, the

Underwriters are committed to purchase all of such Shares if any are purchased.

<TABLE>
<CAPTION>

UNDERWRITER	NUMBER OF SHARES
<S>	<C>
PaineWebber Incorporated.....	850,000
Dean Witter Reynolds Inc.....	850,000
A.G. Edwards & Sons, Inc.....	850,000
Smith Barney Inc.....	850,000
CS First Boston Corporation.....	100,000
Alex. Brown & Sons Incorporated.....	100,000
Donaldson, Lufkin & Jenrette Securities Corporation.....	100,000
Goldman, Sachs & Co.	100,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	100,000
Montgomery Securities.....	100,000
Prudential Securities Incorporated.....	100,000
Robertson, Stephens & Company, L.P.	100,000
Salomon Brothers Inc.....	100,000
UBS Securities Inc.	100,000
Crowell, Weedon & Co.	50,000
EVEREN Securities, Inc.	50,000
Fahnestock & Co. Inc.	50,000
Harris, Webb & Garrison, Inc.	50,000
Ladenburg, Thalmann & Co. Inc.	50,000
Legg Mason Wood Walker, Inc.	50,000
Pacific Growth Equities.....	50,000
Pennsylvania Merchant Group Ltd.....	50,000
The Robinson-Humphrey Company, Inc.	50,000
Stifel, Nicolaus & Company, Incorporated.....	50,000
Sutro & Co. Incorporated.....	50,000
Unterberg Harris.....	50,000
Total.....	5,000,000
	=====

</TABLE>

The Representatives have advised the Company that they propose initially to offer such Shares 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 \$.80 per Share. The Underwriters may allow, and such dealers may reallocate, a discount not in excess of \$.10 per Share on sales to certain other dealers. After the Offering, the public offering price, concession and discount may be changed.

The Company has granted the Underwriters an option, exercisable for 30 days after the date of this Prospectus Supplement, under which the Underwriters may purchase up to 750,000 additional Shares to cover over-allotments, if any, at the Offering price less the underwriting discount set forth on the cover page of this Prospectus Supplement. If the Underwriters exercise this option, each of the Underwriters will have a firm commitment, subject to certain conditions, to purchase approximately the same percentage thereof which the number of Shares to be purchased by it shown in the foregoing table bears to the Shares initially offered hereby.

S-49

The Underwriters have agreed to sell 212,000 Shares to the President and certain Directors of the Company at the Offering price. The Company will not pay a discount or commission to the Underwriters with respect to such 212,000 Shares.

In the Underwriting Agreement, the Company has agreed to indemnify the several 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.

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.

EXPERTS

Certain demographic and market information included in this Prospectus Supplement has been prepared by Rosen Consulting Group and is set forth in a report dated June 28, 1996 (the "Rosen Report"). The Rosen Report has been filed with the Securities and Exchange Commission (the "SEC") as an exhibit to the Company's Form 8-K dated July 5, 1996 and is incorporated herein by reference. Certain information from the Rosen Report is included herein in reliance upon the authority of such firm as an expert in, among other things, urban economics.

Kenneth T. Rosen is the sole shareholder of Rosen Consulting Group and is a member of AMB Rosen Real Estate Securities L.L.C., which is the beneficial owner of 92,900 shares of the Company's Common Stock.

Certain demographic and market information included in this Prospectus Supplement has been prepared by Ann Roulac and Company and is set forth in a report dated June 30, 1996 (the "Roulac Report"). The Roulac Report has been filed with the SEC as an exhibit to the Company's Form 8-K dated July 5, 1996 and is incorporated herein by reference. Certain information from the Roulac Report is included herein in reliance upon the authority of such firm as an expert in, among other things, urban economics.

S-50

PROSPECTUS

\$200,000,000

BAY APARTMENT COMMUNITIES, INC.
PREFERRED STOCK
COMMON STOCK

Bay Apartment Communities, Inc. ("Bay" or the "Company") may offer from time to time in one or more series (i) shares of preferred stock, \$.01 par value per share ("Preferred Stock") and (ii) shares of common stock, \$.01 par value per share ("Common Stock"), with an aggregate public offering price of up to \$200,000,000 in amounts, at prices and on terms to be determined at the time of offering. The Preferred Stock and Common Stock (collectively, the "Securities") may be offered separately or together, in separate series, in amounts, at prices and on terms to be set forth in one or more supplements to this Prospectus (each a "Prospectus Supplement").

The specific terms of the Securities for which this Prospectus is being delivered will be set forth in the applicable Prospectus Supplement and will include, where applicable: (i) in the case of Preferred Stock, the specific designation and stated value per share, any dividend, liquidation, redemption, conversion, voting and other rights, and any initial public offering price and (iii) in the case of Common Stock, any initial public offering price. In addition, such specific terms may include limitations on direct or beneficial ownership and restrictions on transfer of the Securities, in each case as may be consistent with the Company's Articles of Incorporation or otherwise appropriate to preserve the status of the Company as a real estate investment trust ("REIT") for federal income tax purposes. See "Restrictions on Transfers of Capital Stock."

The applicable Prospectus Supplement will also contain information, where appropriate, about certain United States federal income tax considerations relating to, and any listing on a securities exchange of, the Securities covered by such Prospectus Supplement.

The Securities may be offered by the Company directly to one or more purchasers, through agents designated from time to time by the Company or to or through underwriters or dealers. If any agents or underwriters are involved in the sale of any of the securities, their names, and any applicable purchase price, fee, commission or discount arrangement between or among them, will be set forth, or will be calculable from the information set forth, in an accompanying Prospectus Supplement. See "Plan of Distribution." No Securities may be sold without delivery of a Prospectus Supplement describing the method and terms of the offering of such Securities.

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. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

The date of this Prospectus is July 5, 1996.

AVAILABLE INFORMATION

The Company has filed with the Securities and Exchange Commission (the "SEC" or "Commission") a Registration Statement on Form S-3 under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Securities. This Prospectus, which constitutes part of the Registration Statement, omits certain of the information contained in the Registration Statement and the exhibits thereto on file with the Commission pursuant to the Securities Act and the rules and regulations of the Commission thereunder. The Registration Statement, including exhibits thereto, may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the Commission's Regional Offices at 7

World Trade Center, 13th Floor, New York, New York 10048, and Northwestern Atrium Center, 500 W. Madison Street, Suite 1400, Chicago, Illinois 60661-2511, and copies may be obtained at the prescribed rates from the Public Reference Section of the Commission at its principal office in Washington, D.C. Statements contained in this Prospectus as to the contents of any contract or other document referred to are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports and proxy statements and other information with the Commission. Such reports, proxy statements and other information can be inspected and copied at the locations described above. Copies of such materials can be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates. In addition, the Common Stock is listed on the New York Stock Exchange (the "NYSE") and the Pacific Stock Exchange (the "PSE"), and such materials can be inspected and copied at the NYSE, 20 Broad Street, New York, New York 10005.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents previously filed by the Company with the Commission pursuant to the Exchange Act are incorporated by reference in this Prospectus: (i) Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 1995, June 30, 1995, and September 30, 1995, (ii) Annual Reports on Form 10-K for the fiscal years ended December 31, 1994 and December 31, 1995, (iii) Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1996, (iv) Current Report on Form 8-K dated September 15, 1995, (v) Current Report on Form 8-K dated May 6, 1996, (vi) Current Report on Form 8-K, dated May 23, 1996, as amended by the Current Report on Form 8-K/A, dated May 23, 1996, (vii) Current Report on Form 8-K dated July 5, 1996, and (viii) the description of the Company's Common Stock contained in the Company's Registration Statement on Form 8-A dated December 7, 1993.

All documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of all Securities shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the date of filing of such documents. The Company will provide, without charge, to each person, including any beneficial owner, to whom a copy of this Prospectus is delivered, at the request of such person, a copy of any or all of the documents incorporated herein by reference (other than exhibits thereto, unless such exhibits are specifically incorporated by reference into such documents). Written requests for such copies should be directed to Jeffrey B. Van Horn, Chief Financial Officer, Bay Apartment Communities, Inc., 4340 Stevens Creek Blvd., Suite 275, San Jose, California 95129, telephone (408) 983-1500.

Any statement contained herein or in a document incorporated or deemed to be incorporated herein by reference shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein (or in an applicable Prospectus Supplement) or in any subsequently filed document that is incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed to constitute a part of this Prospectus or any Prospectus Supplement, except as so modified or superseded.

2

THE COMPANY

The Company has engaged in apartment community acquisition, development, construction, reconstruction, marketing, leasing and management for over 18 years and is one of the most experienced developers and operators of upscale apartment communities in the San Francisco Bay Area. As a self-administered and self-managed REIT, the Company owns, or holds substantially all of the ownership interests in, and manages 27 apartment communities (the "Communities") containing approximately 7,093 apartment homes, principally in the San Francisco Bay Area and Northern California.

The Company is a fully-integrated real estate organization with in-house development, construction, acquisition, reconstruction, financing, marketing, leasing and management expertise. This in-house expertise has allowed the Company to maintain its reputation for developing and constructing apartment communities on time and on budget. With its experience and in-house capabilities, the Company 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 California. The Company has elected to qualify as a REIT for Federal income tax purposes commencing with the year ended December 31, 1994. The Company pays regular quarterly dividends to its shareholders.

The Company was incorporated under the laws of the State of California in 1978 and reincorporated under the laws of the State of Maryland, pursuant to a

reincorporation merger, in July 1995. Its executive offices are located at 4340 Stevens Creek Boulevard, Suite 275, San Jose, California 95129, and its telephone number is (408) 983-1500.

USE OF PROCEEDS

Unless otherwise described in the applicable Prospectus Supplement, the Company intends to use the net proceeds from the sale of Securities for general corporate purposes, which may include the acquisition of additional properties, the repayment of outstanding debt or the improvement of certain properties already in the Company's portfolio.

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:

<TABLE>
<CAPTION>

				YEAR ENDED DECEMBER 31,				

	JANUARY 1- MARCH 31, 1996	YEAR ENDED DECEMBER 31, 1995	MARCH 17- DECEMBER 31, 1994	JANUARY 1- MARCH 16, 1994 (1)	1993 (1)	1992 (1)	1991 (1)	1990 (1)
	-----	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Ratio..	1.39x	1.26x	1.76x	.71x	.96x	.71x	.68x	.71x

</TABLE>

(1) Ratios for the period January 1 - March 16, 1994 and the years ended 1993, 1992, 1991 and 1990 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:

<TABLE>

<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
Year ended December 31, 1991.....	3,969,000
Year ended December 31, 1990.....	3,336,000

</TABLE>

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 Preferred Stock in October 1995 and 405,022 shares of Series B Preferred Stock in May 1996.

DESCRIPTION OF PREFERRED STOCK

The description of the Company's preferred stock, par value \$.01 per share ("Preferred Stock"), set forth below does not purport to be complete and is qualified in its entirety by reference to the Company's Articles of Incorporation (the "Articles of Incorporation") and Bylaws (the "Bylaws").

GENERAL

Under the Company's Articles of Incorporation, the Company has authority to issue twenty-five (25) million shares of Preferred Stock, of which 2,308,800 shares have been designated Series A Preferred Stock and are currently outstanding and 405,022 shares have been designated Series B Preferred Stock and are currently outstanding. Shares of Preferred Stock may be issued from time to time, in one or more series, as authorized by the Board of Directors of the Company. Prior to issuance of shares of each series, the Board of Directors is required by the Maryland General Corporation Law, as amended (the "MGCL"), and the Company's Articles of Incorporation to fix for each series, subject to the provisions of the Company's Articles of Incorporation regarding excess stock, \$.01 par value per share ("Excess Stock"), the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption, as are permitted by Maryland law. The Preferred Stock will, when issued, be fully paid and nonassessable and will have no preemptive rights. The Board of Directors could authorize the issuance of shares of Preferred Stock with terms and conditions that could have the effect of discouraging a takeover or other transaction that holders of Common Stock might believe to be in their best interests or in which holders of some, or a majority, of the shares of Common Stock might receive a premium for their shares over the then market price of

such shares of Common Stock.

TERMS

The following description of the Preferred Stock sets forth certain general terms and provisions of the Preferred Stock to which any Prospectus Supplement may relate. The statements below describing the Preferred Stock are in all respects subject to and qualified in their entirety by reference to the applicable provisions of the Company's Articles of Incorporation and Bylaws and any applicable amendment to the Articles of Incorporation designating terms of a series of Preferred Stock (a "Designating Amendment").

Reference is made to the Prospectus Supplement relating to the Preferred Stock offered thereby for specific terms, including:

- (1) The title and stated value of such Preferred Stock;
 - (2) The number of shares of such Preferred Stock offered, the liquidation preference per share and the offering price of such Preferred Stock;
 - (3) The dividend rate(s), period(s) and/or payment date(s) or method(s) of calculation thereof applicable to such Preferred Stock;
 - (4) The date from which dividends on such Preferred Stock shall accumulate, if applicable;
 - (5) The procedures for any auction and remarketing, if any, for such Preferred Stock;
 - (6) The provision for a sinking fund, if any, for such Preferred Stock;
 - (7) The provision for redemption, if applicable, of such Preferred Stock;
 - (8) Any listing of such Preferred Stock on any securities exchange;
 - (9) The terms and conditions, if applicable, upon which such Preferred Stock will be convertible into Common Stock, including the conversion price (or manner of calculation thereof);
 - (10) Any other specific terms, preferences, rights, limitations or restrictions of such Preferred Stock;
 - (11) A discussion of federal income tax considerations applicable to such Preferred Stock;
- 4
- (12) The relative ranking and preference of such Preferred Stock as to dividend rights and rights upon liquidation, dissolution or winding up of the affairs of the Company;
 - (13) Any limitations on issuance of any series of Preferred Stock ranking senior to or on a parity with such series of Preferred Stock as to dividend rights and rights upon liquidation, dissolution or winding up of the affairs of the Company; and
 - (14) Any limitations on direct or beneficial ownership and restrictions on transfer, in each case as may be appropriate to preserve the status of the Company as a REIT.

RANK

Unless otherwise specified in the Prospectus Supplement, the Preferred Stock will, with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Company, rank (i) senior to all classes or series of Common Stock of the Company, and to all equity securities ranking junior to such Preferred Stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of the Company; (ii) on a parity with all equity securities issued by the Company the terms of which specifically provide that such equity securities rank on a parity with the Preferred Stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of the Company; and (iii) junior to all equity securities issued by the Company the terms of which specifically provide that such equity securities rank senior to the Preferred Stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of the Company. The term "equity securities" does not include convertible debt securities.

DIVIDENDS

Holders of the Preferred Stock of each series will be entitled to receive, when, as and if declared by the Board of Directors of the Company, out of assets of the Company legally available for payment, cash dividends at such rates and

on such dates as will be set forth in the applicable Prospectus Supplement. Each such dividend shall be payable to holders of record as they appear on the share transfer books of the Company on such record dates as shall be fixed by the Board of Directors of the Company.

Dividends on any series of the Preferred Stock may be cumulative or non-cumulative, as provided in the applicable Prospectus Supplement. Dividends, if cumulative, will be cumulative from and after the date set forth in the applicable Prospectus Supplement. If the Board of Directors of the Company fails to declare a dividend payable on a dividend payment date on any series of the Preferred Stock for which dividends are non-cumulative, then the holders of such series of the Preferred Stock will have no right to receive a dividend in respect of the dividend period ending on such dividend payment date, and the Company will have no obligation to pay the dividend accrued for such period, whether or not dividends on such series are declared payable on any future dividend payment date.

If Preferred Stock of any series is outstanding, no dividends will be declared or paid or set apart for payment on any capital stock of the Company of any other series ranking, as to dividends, on a parity with or junior to the Preferred Stock of such series for any period unless (i) if such series of Preferred Stock has a cumulative dividend, 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 Preferred Stock of such series for all past dividend periods and the then current dividend period or (ii) if such series of Preferred Stock does not have a cumulative dividend, full dividends for the then current dividend period 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 Preferred Stock of such series. When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon Preferred Stock of any series and the shares of any other series of Preferred Stock ranking on a parity as to dividends with the Preferred Stock of such series, all dividends declared upon Preferred Stock of such series and any other series of Preferred Stock ranking on a parity as to dividends with such Preferred Stock shall be declared pro rata so that the amount of dividends declared per share of Preferred Stock of such series 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 Preferred Stock of such series (which shall not include any accumulation in respect of unpaid dividends for prior dividend periods if such

5

Preferred Stock does not have a cumulative dividend) and such other series of Preferred Stock 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 Preferred Stock of such series which may be in arrears.

Except as provided in the immediately preceding paragraph, unless (i) if such series of Preferred Stock has a cumulative dividend, full cumulative dividends on the Preferred Stock of such series 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, and (ii) if such series of Preferred Stock does not have a cumulative dividend, full dividends on the Preferred Stock of such series have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for the then current dividend period, no dividends (other than in shares of Common Stock or other shares of capital stock ranking junior to the Preferred Stock of such series 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 Preferred Stock of such series 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 Preferred Stock of such series 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 Preferred Stock of such series as to dividends and upon liquidation).

Any dividend payment made on shares of a series of Preferred Stock shall first be credited against the earliest accrued but unpaid dividend due with respect to shares of such series which remains payable.

REDEMPTION

If so provided in the applicable Prospectus Supplement, the Preferred Stock will be subject to mandatory redemption or redemption at the option of the Company, as a whole or in part, in each case upon the terms, at the times and at the redemption prices set forth in such Prospectus Supplement.

The Prospectus Supplement relating to a series of Preferred Stock that is subject to mandatory redemption will specify the number of shares of such

Preferred Stock that shall be redeemed by the Company in each year commencing after a date to be specified, at a redemption price per share to be specified, together with an amount equal to all accrued and unpaid dividends thereon (which shall not, if such Preferred Stock does not have a cumulative dividend, include any accumulation in respect of unpaid dividends for prior dividend periods) to the date of redemption. The redemption price may be payable in cash or other property, as specified in the applicable Prospectus Supplement. If the redemption price for Preferred Stock of any series is payable only from the net proceeds of the issuance of shares of capital stock of the Company, the terms of such Preferred Stock may provide that, if no such shares of capital stock shall have been issued or to the extent the net proceeds from any issuance are insufficient to pay in full the aggregate redemption price then due, such Preferred Stock shall automatically and mandatorily be converted into the applicable shares of capital stock of the Company pursuant to conversion provisions specified in the applicable Prospectus Supplement.

Notwithstanding the foregoing, unless (i) if a series of Preferred Stock has a cumulative dividend, full cumulative dividends on all shares of such series of 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, and (ii) if a series of Preferred Stock does not have a cumulative dividend, full dividends on all shares of the Preferred Stock of such series have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for the then current dividend period, no shares of such series of Preferred Stock shall be redeemed unless all outstanding shares of Preferred Stock of such series are simultaneously redeemed; provided, however, that the foregoing shall not prevent the purchase or acquisition of Preferred Stock of such series to preserve the REIT status of the Company or pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Preferred Stock of such series. In addition, unless (i) if such

6

series of Preferred Stock has a cumulative dividend, full cumulative dividends on all outstanding shares of such series of Preferred Stock 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, and (ii) if such series of Preferred Stock does not have a cumulative dividend, full dividends on the Preferred stock of such series have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for the then current dividend period, the Company shall not purchase or otherwise acquire directly or indirectly any shares of Preferred Stock of such series (except by conversion into or exchange for capital shares of the Company ranking junior to the Preferred Stock of such series as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase or acquisition of shares of Preferred Stock of such series to preserve the REIT status of the Company or pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Preferred Stock of such series.

If fewer than all of the outstanding shares of Preferred Stock of any series are to be redeemed, the number of shares to be redeemed will be determined by the Company and such shares may be redeemed pro rata from the holders of record of such shares in proportion to the number of such shares held or for which redemption is requested by such holder (with adjustments to avoid redemption of fractional shares) or by any other equitable manner determined by the Company.

Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of record of Preferred Stock of any series to be redeemed at the address shown on the stock transfer books of the Company. Each notice shall state: (i) the redemption date; (ii) the number of shares and series of the Preferred Stock to be redeemed; (iii) the redemption price; (iv) the place or places where certificates for such Preferred Stock are to be surrendered for payment of the redemption price; (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vi) the date upon which the holder's conversion rights, if any, as to such shares shall terminate. If fewer than all the shares of Preferred Stock of any series are to be redeemed, the notice mailed to each such holder thereof shall also specify the number of shares of Preferred Stock to be redeemed from each such holder. If notice of redemption of any 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 Preferred Stock so called for redemption, then from and after the redemption date dividends will cease to accrue on such Preferred Stock, and all rights of the holders of such shares will terminate, except the right to receive the redemption price.

LIQUIDATION PREFERENCE

Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, then, before any distribution or payment shall be made to the holders of any Common Stock or any other class or series of capital stock of the Company ranking junior to the Preferred Stock in the distribution

of assets upon any liquidation, dissolution or winding up of the Company, the holders of each series of Preferred Stock shall be entitled to receive out of assets of the Company legally available for distribution to stockholders liquidating distributions in the amount of the liquidation preference per share, if any, set forth in the applicable Prospectus Supplement, plus an amount equal to all dividends accrued and unpaid thereon (which shall not include any accumulation in respect of unpaid noncumulative dividends for prior dividend periods). After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Preferred Stock will have no right or claim to any of the remaining assets of the Company. In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Company are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Preferred Stock and the corresponding amounts payable on all shares of other classes or series of capital stock of the Company ranking on a parity with the Preferred Stock in the distribution of assets, then the holders of the Preferred Stock and all other such classes or series of capital stock shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

If liquidating distributions shall have been made in full to all holders of Preferred Stock, the remaining assets of the Company shall be distributed among the holders of any other classes or series of capital stock ranking junior to the Preferred Stock upon liquidation, dissolution or winding up, according to their respective

7

rights and preferences and in each case according to their respective number of shares. For such purposes, the consolidation or merger of the Company with or into any other corporation, trust or entity, 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.

VOTING RIGHTS

Holders of the Preferred Stock will not have any voting rights, except as set forth below or as otherwise from time to time required by law or as indicated in the applicable Prospectus Supplement.

Unless provided otherwise for any series of Preferred Stock, so long as any shares of Preferred Stock of a series remain outstanding, the Company will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of such series of Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (such series voting separately as a class), (i) authorize or create, or increase the authorized or issued amount of, any class or series of capital stock ranking prior to such series of 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 (ii) amend, alter or repeal the provisions of the Company's Articles of Incorporation or the Designating Amendment for such series of Preferred Stock, whether by merger, consolidation or otherwise (an "Event"), so as to materially and adversely affect any right, preference, privilege or voting power of such series of Preferred Stock or the holders thereof; provided, however, with respect to the occurrence of any of the Events set forth in (ii) above, so long as the 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 Preferred Stock, and provided further that (x) any increase in the amount of the authorized Preferred Stock or the creation or issuance of any other series of Preferred Stock, or (y) any increase in the amount of authorized shares of such series or any other series of Preferred Stock, in each case ranking on a parity with or junior to the Preferred Stock of such series 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 such series of Preferred Stock shall have been redeemed or called for redemption and sufficient funds shall have been deposited in trust to effect such redemption.

CONVERSION RIGHTS

The terms and conditions, if any, upon which any series of Preferred Stock is convertible into Common Stock will be set forth in the applicable Prospectus Supplement relating thereto. Such terms will include the number of shares of Common Stock into which the shares of Preferred Stock are convertible, the conversion price (or manner of calculation thereof), the conversion period, provisions as to whether conversion will be at the option of the holders of the

Preferred Stock or the Company, the events requiring an adjustment of the conversion price and provisions affecting conversion in the event of the redemption of such series of Preferred Stock.

RESTRICTIONS ON OWNERSHIP

For the Company to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), not more than 50% in value of its outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year. To assist the Company in meeting this requirement, the Company may take certain actions to limit the beneficial ownership, directly or indirectly, by a single person of the Company's outstanding equity securities, including any Preferred Stock of the Company. Therefore, the Designating Amendment for each series of

8

Preferred Stock may contain provisions restricting the ownership and transfer of the Preferred Stock. The applicable Prospectus Supplement will specify any additional ownership limitation relating to a series of Preferred Stock. See "Restrictions on Transfers of Capital Stock."

TRANSFER AGENT

The transfer agent and registrar for the Preferred Stock will be set forth in the applicable Prospectus Supplement.

DESCRIPTION OF COMMON STOCK

The description of the Company's Common Stock set forth below does not purport to be complete and is qualified in its entirety by reference to the Company's Articles of Incorporation and Bylaws.

GENERAL

Under the Articles of Incorporation, the Company has authority to issue 40 million shares of Common Stock, par value \$.01 per share. Under Maryland law, stockholders generally are not responsible for the Company's debts or obligations. The Company currently has outstanding 13,227,351 shares of Common Stock. The Common Stock is listed on the NYSE and the PSE under the symbol "BYA."

TERMS

Subject to the preferential rights of any other shares or series of stock and to the provisions of the Company's Articles of Incorporation regarding Excess Stock, holders of shares of Common Stock will be entitled to receive dividends on shares of Common Stock if, as and when authorized and declared by the Board of Directors of the Company out of assets legally available therefor and to share ratably in the assets of the Company legally available for distribution to its stockholders in the event of its liquidation, dissolution or winding-up after payment of, or adequate provision for, all known debts and liabilities of the Company.

Subject to the provisions of the Company's Articles of Incorporation regarding Excess Stock, each outstanding share of Common Stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of Directors and, except as otherwise required by law or except as provided with respect to any other class or series of stock, the holders of Common Stock will possess the exclusive voting power. There is no cumulative voting in the election of Directors, which means that the holders of a majority of the outstanding shares of Common Stock can elect all of the Directors then standing for election, and the holders of the remaining shares of Common Stock will not be able to elect any Directors.

Holders of Common Stock have no conversion, sinking fund or redemption rights, or preemptive rights to subscribe for any securities of the Company.

The Company intends to furnish its stockholders with annual reports containing audited consolidated financial statements and an opinion thereon expressed by an independent public accounting firm and quarterly reports for the first three quarters of each fiscal year containing unaudited financial information.

Subject to the provisions of the Company's Articles of Incorporation regarding Excess Stock, all shares of Common Stock will have equal dividend, distribution, liquidation and other rights, and will have no preference, appraisal or exchange rights.

Pursuant to the MGCL, a corporation generally cannot dissolve, amend its Articles of Incorporation, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business unless approved by the affirmative vote of stockholders holding at least two-thirds of the shares entitled to vote on the

matter unless a lesser percentage is set forth in the Company's Articles of Incorporation. The Company's Articles of Incorporation do not provide for a lesser percentage in such situations.

RESTRICTIONS ON OWNERSHIP

For the Company to qualify as a REIT under the Code, not more than 50% in value of its outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year. To assist the Company in meeting this requirement, the Company may take certain actions to limit the beneficial ownership, directly or indirectly, by a single person of the Company's outstanding equity securities. See "Restrictions on Transfers of Capital Stock."

TRANSFER AGENT

The transfer agent and registrar for the Common Stock is American Stock Transfer & Trust Company of New York, New York.

RESTRICTIONS ON TRANSFERS OF CAPITAL STOCK

For the Company to qualify as a REIT under the Code, among other things, not more than 50% in value of its outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (defined in the Code to include certain entities) during the last half of a taxable year, and such capital stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (in each case, other than the first such year). To ensure that the Company remains a qualified REIT, the Articles of Incorporation, subject to certain exceptions, provide that no holder may own, or be deemed to own by virtue of the attribution provisions of the Code, more than nine percent (9%) (the "Ownership Limit") of the Company's capital stock. The Board of Directors may waive the Ownership Limit if evidence satisfactory to the Board of Directors and the Company's tax counsel is presented that the changes in ownership will not then or in the future jeopardize the Company's status as a REIT. Any transfer of capital stock or any security convertible into capital stock that would create a direct or indirect ownership of capital stock in excess of the Ownership Limit or that would result in the disqualification of the Company as a REIT, including any transfer that results in the capital stock being owned by fewer than 100 persons or results in the Company being "closely held" within the meaning of Section 856(h) of the Code, shall be null and void, and the intended transferee will acquire no rights to the capital stock. The foregoing restrictions on transferability and ownership will not apply if the Board of Directors determines that it is no longer in the best interests of the Company to attempt to qualify, or to continue to qualify, as a REIT.

Capital stock owned, or deemed to be owned, or transferred to a stockholder in excess of the Ownership Limit will automatically be exchanged for shares of Excess Stock that will be transferred, by operation of law, to the Company as trustee of a trust for the exclusive benefit of the transferees to whom such capital stock may be ultimately transferred without violating the Ownership Limit. While the Excess Stock is held in trust, it will not be entitled to vote, it will not be considered for purposes of any stockholder vote or the determination of a quorum for such vote and, except upon liquidation, it will not be entitled to participate in dividends or other distributions. Any dividend or distribution paid to a proposed transferee of Excess Stock prior to the discovery by the Company that capital stock has been transferred in violation of the provisions of the Company's Articles of Incorporation shall be repaid to the Company upon demand. The Excess Stock is not treasury stock, but rather constitutes a separate class of issued and outstanding stock of the Company. The original transferee-stockholder may, at any time the Excess Stock is held by the Company in trust, transfer the interest in the trust representing the Excess Stock to any individual whose ownership of the capital stock exchanged into such Excess Stock would be permitted under the Ownership Limit, at a price not in excess of the price paid by the original transferee-stockholder for the capital stock that was exchanged in Excess Stock. Immediately upon the transfer to the permitted transferee, the Excess Stock will automatically be exchanged for capital stock of the class from which it was converted. If the foregoing transfer restrictions are determined to be void or invalid by virtue of any legal decision, statute, rule or regulation, then the intended transferee of any Excess Stock may be deemed, at the option of the Company, to have acted as an agent on behalf of the Company in acquiring the Excess Stock and to hold the Excess Stock on behalf of the Company.

In addition to the foregoing transfer restrictions, the Company will have the right, for a period of 90 days during the time any Excess Stock is held by the Company in trust, to purchase all or any portion of the Excess Stock from the original transferee-stockholder for the lesser of the price paid for the capital stock by the original transferee-stockholder or the market price (as determined in the manner set forth in the Articles of Incorporation) of the capital stock on the date the Company exercises its option to purchase. The

90-day period begins on the date on which the Company receives written notice of the transfer or other event resulting in the exchange of capital stock for Excess Stock.

Each stockholder shall upon demand be required to disclose to the Company in writing any information with respect to the direct, indirect and constructive ownership of beneficial interests as the Board of Directors deems necessary to comply with the provisions of the Code applicable to REITs, to comply with the requirements of any taxing authority or governmental agency or to determine any such compliance.

This ownership limitation may have the effect of precluding acquisition of control of the Company unless the Board of Directors determines that maintenance of REIT status is no longer in the best interests of the Company.

PLAN OF DISTRIBUTION

The Company may sell Securities to or through one or more underwriters or dealers for public offering and sale by or through them, directly to one or more purchasers, through agents or through any combination of these methods of sale. Direct sale to investors may be accomplished through subscription rights distributed to the Company's stockholders on a pro-rata basis. In connection with any distribution of subscription rights to stockholders, if all of the underlying Securities are not subscribed for, the Company may sell the unsubscribed Securities directly to third parties or may engage the services of one or more underwriters, dealers or agents, including standby underwriters, to sell the unsubscribed Securities to third parties.

The distribution of the Securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices, or at negotiated prices (any of which may represent a discount from the prevailing market prices).

In connection with the sale of Securities, underwriters or agents may receive compensation from the Company or from purchasers of Securities, for whom they may act as agents, in the form of discounts, concessions or commissions. Underwriters may sell Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers, and agents that participate in the distribution of Securities may be deemed to be underwriters under the Securities Act, and any discounts or commissions they receive from the Company and any profit on the resale of Securities they realize may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter or agent will be identified, and any such compensation received from the Company will be described, in the applicable Prospectus Supplement.

Unless otherwise specified in the related Prospectus Supplement, each series of Securities will be a new issue with no established trading market, other than the Common Stock which is listed on the NYSE and the PSE. Any shares of Common Stock sold pursuant to a Prospectus Supplement will be listed on the NYSE and the PSE, subject to official notice of issuance. The Company may elect to list any series of Preferred Stock on an exchange, but is not obligated to do so. It is possible that one or more underwriters may make a market in a series of Securities, but will not be obligated to do so and may discontinue any market making at any time without notice. Therefore, no assurance can be given as to the liquidity of, or the trading market for, the Securities.

Under agreements into which the Company may enter, underwriters, dealers and agents who participate in the distribution of Securities may be entitled to indemnification by the Company against certain liabilities, including liabilities under the Securities Act.

Underwriters, dealers and agents may engage in transactions with, or perform services for, or be tenants of, the Company in the ordinary course of business.

If so indicated in the applicable Prospectus Supplement, the Company will authorize dealers acting as the Company's agents to solicit offers by certain institutions to purchase Securities from the Company at the public offering price set forth in such Prospectus Supplement pursuant to delayed delivery contracts ("Contracts") providing for payment and delivery on the date or dates stated in such Prospectus Supplement. Each Contract will be for an amount not less than, and the aggregate principal amount of Securities sold pursuant to Contracts shall be not less nor more than, the respective amounts stated in the applicable Prospectus Supplement. Institutions with whom Contracts, when authorized, may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions, and other institutions, but will in all cases be subject to the approval of the Company. Contracts will not be subject to any conditions except (i) the purchase by an institution of the Securities covered by its Contracts shall not at the time of delivery be prohibited under the laws of any

jurisdiction in the United States to which such institution is subject, and (ii) if the Securities are being sold to underwriters, the Company shall have sold to such underwriters the total principal amount of the Securities less the principal amount thereof covered by Contracts. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts.

In order to comply with the securities laws of certain states, if applicable, the Securities offered hereby will be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states Securities may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the Securities offered hereby may not simultaneously engage in market making activities with respect to the Securities for a period of two business days prior to the commencement of such distribution.

LEGAL MATTERS

Certain legal matters, including the legality of the Securities, will be passed upon for the Company by Goodwin, Procter & Hoar LLP, Boston, Massachusetts.

EXPERTS

The financial statements and schedule thereto incorporated by reference in this Prospectus or elsewhere in the Registration Statement, to the extent and for the periods indicated in their report have been audited by Coopers & Lybrand L.L.P., independent accountants, and are incorporated herein in reliance upon the authority of said firm as experts in giving said reports.

12

[LOGO] BAY APARTMENT COMMUNITIES, INC.

[PHOTO]

Views from Village Square, San Francisco

[PHOTO]

Regatta Bay, Foster City

[PHOTO]

Parkside Commons, Sunnyvale

[PHOTO]

Community Leasing Office

[PHOTO]

Hampton Place, Fremont

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NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS SUPPLEMENT. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. THIS PROSPECTUS SUPPLEMENT DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE SHARES IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS SUPPLEMENT OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

<TABLE>
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	PAGE

<S>	<C>
PROSPECTUS SUPPLEMENT	
Prospectus Supplement Summary.....	S-3
Risk Factors.....	S-15
Use of Proceeds.....	S-20
Capitalization.....	S-20
Price Range of Shares and Distribution	
History.....	S-21
Business Philosophy.....	S-22
Growth Strategies.....	S-23
Performance Since the Initial	
Offering.....	S-26
The Communities.....	S-35
The Markets.....	S-39
Unsecured Credit Facility, Mortgage	
Debt and Bond Financing.....	S-43
Management and Directors.....	S-46
Underwriting.....	S-49
Legal Matters.....	S-50
Experts.....	S-50
PROSPECTUS	
Available Information.....	2
Incorporation of Certain Documents By	
Reference.....	2
The Company.....	3
Use of Proceeds.....	3
Ratios of Earnings to Fixed Charges...	3
Description of Preferred Stock.....	4
Description of Common Stock.....	9
Restrictions on Transfers of Capital	
Stock.....	10
Plan of Distribution.....	11
Legal Matters.....	12
Experts.....	12
-	-----
-	-----

</TABLE>

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5,000,000 SHARES

LOGO

COMMON STOCK

PROSPECTUS SUPPLEMENT

PAINWEBBER INCORPORATED

DEAN WITTER REYNOLDS INC.

A.G. EDWARDS & SONS, INC.

SMITH BARNEY INC.

JULY 30, 1996

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