SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 1996

Commission File Number 1-12672

BAY APARTMENT COMMUNITIES, INC.
(Exact name of Registrant as specified in its Charter)

MARYLAND	77-0404318
(State of Incorporation)	(I.R.S. Employer Identification No.)

4340 STEVENS CREEK BLVD., #275, SAN JOSE, CALIFORNIA 95129
(Address of principal executive offices, including zip code)

408-983-1500
(Registrant's telephone number, including area code)
N/A
(Former name, former address and former fiscal year, if changed since last report)

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

YES X NO ___

APPLICABLE ONLY TO CORPORATE ISSUERS

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

<TABLE>
<CAPTION>

Class	Shares Outstanding	Date
Common, $0.01 par value	18,996,088	November 7, 1996
Preferred, Series A, $.01 par value	2,308,800	November 7, 1996
Preferred, Series B, $.01 par value	405,022	November 7, 1996

</TABLE>

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PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

BAY APARTMENT COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

(Dollars in thousands, except per share data)	September 30, 1996 (Unaudited)	December 31, 1995
<S>	<C>	<C>
ASSETS		
Real estate assets:		
Land	$152,277	$ 97,334
Buildings and improvements	494,665	354,213
Furniture, fixtures and equipment	34,642	23,383
	681,584	474,930
Less accumulated depreciation	(47,274)	(34,552)
Operating real estate assets	634,310	440,378
Construction in progress	50,145	23,280
Net real estate assets	684,455	463,658
Cash and cash equivalents	931	1,677
Restricted cash	787	--
Other assets, net	11,991	11,855
TOTAL ASSETS	$698,164	$477,190
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes payable	$257,684	$227,801
Accounts payable and accrued expenses	6,687	4,054
Dividends payable	8,714	5,420
Other liabilities	4,153	2,332
TOTAL LIABILITIES	277,238	239,607
Contingencies (Note 4)	--	--
Minority interest	7,084	--
Shareholders' equity:		
Preferred stock, $.01 par value; 25,000,000 shares authorized; 2,308,800 shares of Series A outstanding at both September 30, 1996 and December 31, 1995; 405,022 shares of Series B outstanding at September 30, 1996 and no shares outstanding at December 31, 1995	27	23
Common stock, $.01 par value; 40,000,000 shares authorized; 18,990,826 shares outstanding at September 30, 1996; 11,544,287 shares outstanding at December 31, 1995	190	115
Paid-in capital	435,362	251,163
Dividends in excess of accumulated earnings	(21,737)	(13,718)
TOTAL SHAREHOLDERS' EQUITY	413,842	237,583
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$698,164	$477,190

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

BAY APARTMENT COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

(Dollars in thousands, except per share data)	Quarter ended September 30, 1996	Quarter ended September 30, 1995
<S>	<C>	<C>
Revenues:		
Rental	$ 22,380	$ 13,284
Other	670	340
Total revenues	23,050	13,624
Expenses:		
Property operating	5,407	3,375
Property taxes	1,840	1,065
General and administrative	997	711
Interest and financing	3,743	2,958
Depreciation and amortization	5,080	3,388
Total expenses	17,067	11,497
Income before minority interest	5,983	2,127
Minority interest	138	6
Net income	$ 5,845	$ 2,121
Earnings per common share:		
Income before minority interest	$ 0.29	$ 0.18
Minority interest	0.01	--
Earnings available per common share	$ 0.28	$ 0.18
Dividends declared per common share	$ 0.40	$ 0.39
Weighted average shares outstanding	16,796,991	11,544,287

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

BAY APARTMENT COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

(Dollars in thousands, except per share data)	Nine Months ended September 30, 1996	Nine Months ended September 30, 1995
<S>	<C>	<C>
Revenues:		
Rental	$ 56,381	$ 37,262
Other	1,538	1,059
Gain on sale	--	2,412
Total revenues	57,919	40,733
Expenses:		
Property operating	13,253	8,961
Property taxes	4,528	3,101
General and administrative	2,723	1,817
Interest and financing	10,850	8,431
Depreciation and amortization	13,277	9,949

Total expenses	44,631	32,259
Income before minority interest and extraordinary item	13,288	8,474
Minority interest	165	14
Income before extraordinary item	13,123	8,460
Extraordinary item	511	--
Net income	$ 12,612	$ 8,460
Earnings per common share:		
Income before minority interest and extraordinary item	$ 0.74	$ 0.73
Minority interest	0.01	--
Income before extraordinary item	0.73	0.73
Extraordinary item	0.04	--
Earnings available per common share	$ 0.69	$ 0.73
Dividends declared per common share	$ 1.20	$ 1.16
Weighted average shares outstanding	13,643,066	11,544,287

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

BAY APARTMENT COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

(Dollars in thousands)	Nine Months ended September 30, 1996	Nine Months ended September 30, 1995
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 12,612	$ 8,460
Gain on sale	--	(2,412)
NONCASH EXPENSES INCLUDED IN NET INCOME:		
Depreciation and amortization	13,277	9,949
Minority interest	165	14
Extraordinary item	511	--
CASH PROVIDED BY (USED FOR) OPERATING ASSETS AND LIABILITIES:		
Restricted cash	(787)	1,000
Other assets	(1,202)	(4,844)
Accounts payable and accrued expenses	2,633	(154)
Other liabilities	1,821	435
NET CASH PROVIDED BY OPERATING ACTIVITIES	29,030	12,448
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:		
Proceeds from sale, net	--	17,487
Capital expenditures	(871)	(452)
Acquisition of properties	(144,043)	(13,565)
Construction in progress	(53,467)	(26,230)
NET CASH USED FOR INVESTING ACTIVITIES	(198,381)	(22,760)
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:		
Proceeds from stock offerings, net of offering costs	183,507	--
Proceeds from exercise of stock options	476	--
Borrowings on notes payable	--	13,765
Notes payable principal payments	(306)	(224)
Borrowings on construction notes payable	21	--
Borrowings on lines of credit	157,000	39,828
Repayments on lines of credit	(154,700)	(32,163)
Partner and minority interest distributions	(56)	(45)
Dividends paid	(17,337)	(13,276)
NET CASH PROVIDED BY FINANCING ACTIVITIES	168,605	7,885
Decrease in cash and cash equivalents	(746)	(2,427)

Cash and cash equivalents, beginning of period	1,677	4,698
Cash and cash equivalents, end of period	$ 931	$ 2,271

</TABLE>

BAY APARTMENT COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

(Dollars in thousands)	Nine Months ended September 30, 1996	Nine Months ended September 30, 1995
<S>	<C>	<C>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest (net of amount capitalized)	$10,935	$ 8,431
Supplemental disclosures of noncash investing and financing activities:		
Noncash transfers of construction in progress	$26,602	$45,302
Assumption of notes payable by the Company	$27,868	$10,561
Contribution of minority interest	$ 7,270	$ --
Dividends declared but not paid	$ 8,714	$ 4,502

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

BAY APARTMENT COMMUNITIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Organization, Initial Public Offering and Subsequent Offerings

Bay Apartment Communities, Inc. (the "Company") was formed in 1978 to develop, lease and manage upscale apartment communities. Before March 17, 1994, the Company was a part of the Greenbriar Group which consisted of Bay Apartment Communities, Inc. and certain affiliated entities. The Greenbriar Group included one land parcel held for future development, 12 apartment communities transferred to the Company in the reorganization transactions and the partnerships that held 11 of these apartment communities. The Greenbriar Group became Bay Apartment Communities, Inc. as a result of certain reorganization transactions in connection with the sale of shares of common stock in an initial public offering. Also included in this reorganization was the combination of building and management affiliates into the Company. The Company is a self-administered and self-managed real estate investment trust ("REIT") which acquires, builds, owns and manages apartment communities primarily in Northern California. At September 30, 1996, the Company owned 34 apartment communities, comprising 8,586 apartment homes.

On March 17, 1994, the Company completed its initial public offering of 10,889,742 shares of common stock, and received $199,998 in net proceeds (the "Initial Offering"). The net proceeds were used to pay off mortgage debt, purchase five apartment communities, purchase outside partners' partnership interests, and pay debt origination costs (primarily legal fees). In October, 1995, the Company issued 2,308,800 shares of Series A preferred stock for a net amount of approximately $48,269 (the "1995 Offering"). The proceeds were used to purchase land for future construction, pay off and close a construction loan and pay down debt on credit lines which were subsequently drawn on to purchase apartment communities. In May, 1996, the Company issued 1,248,191 shares of common stock in a direct placement and 413,223 shares of common stock and 405,022 shares of Series B preferred stock in an underwritten offering (collectively, the "1996 Offerings"), and received approximately $49,481 in net proceeds. The proceeds were used to purchase three communities, Park Centre, Parkside Commons, and Sunset Towers, and repay borrowings on a secured credit facility. Both secured credit facilities were subsequently closed, resulting in the write-off of $511, representing unamortized loan and non-use fees, which was recorded as an extraordinary item. On August 5, 1996, the Company completed an underwritten public offering of 5,750,000 shares of common stock and received $134,026 in net proceeds. The net proceeds were used to purchase two apartment communities acquired after the closing of the offering, Channing Heights and Martinique Gardens, and to repay amounts borrowed under the unsecured line of credit, including amounts borrowed to purchase four apartment communities acquired prior to the closing of the offering; Countrybrook, Larkspur Canyon (formerly Villa Marguerite), The Fountains, and Mill Creek.

The interim unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements required by generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These unaudited financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the period ended December 31, 1995. The results of operations for the quarter ended September 30, 1996 are not necessarily indicative of the operating results for the full year. Management believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments and eliminations, consisting only of normal, recurring adjustments necessary for a fair presentation of the financial statements for the interim periods have been included.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company, and its wholly-owned partnerships and subsidiaries. The accompanying consolidated financial statements also include the accounts of Bay Countrybrook L.P., a Delaware limited partnership (the "Partnership"). The general partner of the Partnership is a wholly-owned subsidiary of the Company, Bay G.P., Inc., a Maryland corporation. All significant intercompany balances and transactions have been eliminated in consolidation.

Bay Countrybrook L.P.

In connection with the formation of the Partnership, 298,577 units of limited partnership interests ("Units") were issued to the existing partners of the contributor of the Countrybrook community. Under the terms of the limited partnership agreement, holders of Units have the right to require the Partnership to redeem their Units for cash, subject to certain conditions. The Company may, however, elect to deliver an equivalent number of shares of common stock to the holders of Units in satisfaction of the Partnership's obligation to redeem the Units for cash.

Operating Real Estate Assets

Subsequent to occupancy, significant expenditures, generally exceeding $5, which improve or extend the life of the asset are capitalized. The operating real estate assets are stated at cost and consist of land, buildings and improvements, furniture, fixtures and equipment, and other costs incurred during development and construction and reconstruction.

Apartment homes available for occupancy are generally leased on a one year or less basis. Rental income and operating costs incurred during the initial lease-up period are fully recognized as they accrue.

Capitalization of Costs During Development and Reconstruction

Cost capitalization during development of constructed assets (including interest and related loan fees, property taxes and other direct and indirect costs) begins when active development commences and ends when the asset is delivered and a certificate of occupancy is issued. Cost capitalization during reconstruction of acquired assets (including interest and related loan fees, property taxes and other direct and indirect costs) begins when apartment homes are taken out of service for reconstruction and ends when the apartment home reconstruction is complete and placed in service.

Depreciation

Depreciation is calculated on operating real estate assets using the straight-line method over their estimated useful lives, which range from ten to thirty years. Furniture, fixtures and equipment are generally depreciated using the straight-line method over their estimated useful lives, which range from five to seven years.

Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, (the "Code") beginning with the tax year which ended December 31, 1994. A corporate REIT is a legal entity which holds real estate interests and through certain levels of payments of dividends to shareholders and other criteria, is permitted to reduce or avoid the payment of federal and state income taxes at the corporate level. As a result, the Company will not be subject to federal and state income taxation at the corporate level if certain requirements are met. Accordingly, no provision for federal and state income taxes has been made.

Deferred Financing Costs

Included in other assets, net are costs associated with obtaining debt financing and credit enhancements. Such costs are being amortized over the term of the associated debt or credit enhancement.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and liquid investments with an original maturity of three months or less from the date acquired. Interest income amounted to $58 and $61 for the quarters ended September 30, 1996 and 1995, respectively.

Earnings per Share

Earnings per share with respect to the Company for the quarters ended September 30, 1996 and 1995 is computed based upon the weighted average number of common shares outstanding during the period plus (in periods where they have a dilutive effect) the net additional number of shares which would be issuable upon the exercise of stock options assuming that the Company used the proceeds received to repurchase outstanding shares at market prices.

Additionally, other potentially dilutive securities, which may not qualify as common stock equivalents, are considered when calculating earnings per share on a primary and fully diluted basis. No such securities were outstanding during the quarter ended September 30, 1995, and the assumed conversion of such securities during the quarter ended September 30, 1996, results in an antidilutive effect; therefore, earnings per share presentation on a primary and fully diluted basis is unnecessary. Earnings per share is net of the preferred stock dividends declared for the period, which were $1,118 and $3,118 for the quarter ended and nine months ended September 30, 1996, respectively. No preferred stock was outstanding during the nine months ended September 30, 1995.

Use of Estimates

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

Concentration of Geographic Risk

Primarily all of the Company's apartment communities are located in Northern California and most are located in the San Francisco Bay Area. This geographic concentration could expose the Company to a significant loss should one event affect the entire area such as an economic downturn, an earthquake or other environmental event.

Financial Instruments

The Company enters into interest rate swap agreements (the "Swap Agreements"), with parties whose credit ratings by Standard and Poor's Ratings Group are AAA to limit the Company's exposure should interest rates rise above specified levels. The Swap Agreements are held for purposes other than trading.

The amortization of the cost of the Swap Agreements is included in amortization expense. The remaining unamortized cost of the Swap Agreements is included as "Other Assets" on the balance sheet.

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(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Newly Issued Accounting Standards

In October 1995, Statement of Financial Accounting Standards No. 123, "Accounting for Stock-based Compensation" ("SFAS 123"), was issued. This statement requires the fair value of stock options and other stock-based compensation issued to employees to be either included as compensation expense in the income statement, or the pro forma effect on net income and earnings per share of such compensation expense to be disclosed in the footnotes to the Company's financial statements commencing in 1996. The Company expects to adopt SFAS 123 on a disclosure basis only. As such, implementation of SFAS 123 is not expected to impact the Company's consolidated balance sheet or income statement.

2. INTEREST CAPITALIZED

Interest costs associated with projects under development or reconstruction aggregating $894 for the quarter ended September 30, 1996 and $1,132 for the quarter ended September 30, 1995 have been capitalized.

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(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

3. NOTES PAYABLE

<TABLE>
<CAPTION>

<S>	September 30, 1996 <C>	December 31, 1995 <C>
Tax-exempt variable rate under interest rate swaps:		
Foxchase I and II and Fairway Glen are encumbered by first deeds of trust which collateralize three housing bond issues maturing November 1, 2007. The Company has entered into an interest rate swap agreement with a financial institution under which the interest rate is fixed until March, 2004 at a total of 5.88%, interest only. The bonds contain covenants which require 20% of the units to be leased or held available for lease to low or moderate income families.	$35,980	$35,980
Waterford and Villa Mariposa are encumbered by first deeds of trust which collateralize two housing bond issues. The Company has entered into an interest rate swap agreement with a financial institution under which the interest rate is fixed until March, 2004 at a total of 5.88%, interest only. Such bonds require monthly payments of interest only and mature on August 1, 2014 and March 1, 2017, respectively. The bonds contain covenants which require 20% of the units to be leased or held available for lease to low or moderate income families.	51,400	51,400
Barrington Hills is encumbered by a first deed of trust which collateralizes housing bond issues maturing June 15, 2025, fully amortizing over the term. The Company has entered into an interest rate swap agreement under which the interest rate is fixed until June, 2010 at an effective rate of 6.48% including the amortization of financing costs. The bonds contain covenants which require 20% of the units to be leased or held available for lease to low or moderate income families.	13,376	13,482
Crossbrook is encumbered by a first deed of trust which collateralizes housing bond issues maturing June 15, 2025, fully amortizing over the term. The Company has entered into an interest rate swap agreement under which the interest rate is fixed until June, 2010 at an effective rate of 6.48% including the amortization of financing costs. The bonds contain covenants which require 20% of the units to be leased or held available for lease to low or moderate income families.	8,601	8,667
Rivershore is encumbered by a first deed of trust which collateralizes housing bond issues maturing November 15, 2022, fully amortizing over the term. The Company has entered into an interest rate swap agreement under which the interest rate is fixed until June, 2010 at an effective rate of 6.48% including the amortization of financing costs. The bonds contain covenants which require 20% of the units to be leased or held available for lease to low or moderate income families.	10,478	10,572

</TABLE>

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<TABLE>

<CAPTION>

	September 30, 1996	December 31, 1995
<S>	<C>	<C>
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)		
Canyon Creek is encumbered by a first deed of trust which collateralizes housing bond issues maturing June 15, 2025, fully amortizing over the term. The Company has entered into an interest rate swap agreement under which the interest rate is fixed until June, 2010 at an effective rate of 6.48% including the amortization of financing costs. The bonds contain convenants which require 20% of the units to be leased or held available for lease to low or moderate income families.	38,800	38,800
Sea Ridge is encumbered by a first deed of trust which collateralizes housing bond issues maturing June 15, 2025, fully amortizing over the term. The Company has entered into an interest rate swap agreement under which the interest rate is fixed until June, 2010 at an effective rate of 6.48% including the amortization of financing costs. The bonds contain convenants which require 20% of the units to be leased or held available for lease to low or moderate income families.	17,600	17,600
Subtotal	176,235	176,501
Tax-exempt fixed rate:		
Countrybrook is encumbered by a first deed of trust which collateralizes housing bond issues maturing March 1, 2012, partially amortizing over the term. The interest rate on the bonds is fixed until April, 2002 at an effective interest rate of 7.87% including the amortization of financing costs. The bonds contain covenants which require 20% of the units to be leased or held available for lease to low or moderate income families.	20,193	--
Subtotal	20,193	--
Tax-exempt variable rate:		
City Heights is encumbered by a first deed of trust which collateralizes housing bond issues maturing March 1, 2018. Interest only payments are required monthly at a variable rate set weekly by the remarketing agent (6.37% at September 30, 1996 and 6.81% at December 31, 1995 including the amortization of financing costs). The bonds contain convenants which require 20% of the units to be leased or held available for lease to low or moderate income families. The bonds have been placed with an institutional investor who has the right to require the Company to repurchase the bonds by March 10, 1997. The Company currently has the right to repurchase the bonds at its option.	20,800	20,800
Larkspur Canyon (formerly Villa Marguerite) is encumbered by a first deed of trust which collateralizes housing bond issues maturing March 1, 2023. Interest only payments are required monthly at a variable rate set weekly by the remarketing agent (5.65% at September 30, 1996 including the amortization of financing costs). The bond payments are secured by a $7,823 irrevocable direct pay letter of credit. The bonds contain covenants which require 20% of the units to be leased or held available for lease to low or moderate income families.	7,635	--
Subtotal	28,435	20,800

</TABLE>

<TABLE>
<CAPTION>

	September 30, 1996	December 31, 1995
<S>	<C>	<C>
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)		
Construction Note Payable:		
Construction note payable with an aggregate amount available of $25,500 bearing interest at LIBOR plus 2.15%. This note is collateralized by a first deed of trust on the Rosewalk at Waterford Park community.	21	--
Subtotal	21	--
Credit Lines:		
Line of credit with an aggregate amount available of $80,000 maturing December,		

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

1996 and collateralized by the Sommerset and Regatta Bay communities. This line bears interest at the 30-day LIBOR rate plus 2.25%. Interest only payments are required monthly. Based on the assets pledged as collateral, there was $18,062 available under this line at December 31, 1995. This line was closed in May, 1996.	--	--
Line of credit with an aggregate amount available of $47,000 maturing December, 1997 and collateralized by the Hampton Place and Carriage Square communities This line bears interest at the prime rate or various LIBOR rates plus 1.60% This line was closed in May, 1996.	--	30,500
Unsecured line of credit with an aggregate amount available of $200,000 maturing May, 1999. This line bears interest at various LIBOR rates plus 1.55%.	32,800	--
Subtotal	32,800	30,500
Total Notes Payable	$257,684	$227,801

</TABLE>

Principal payments on outstanding notes payable as of September 30, 1996 are due as follows:

<TABLE>

<S>	<C>
1996	$ 20,954
1997	1,051
1998	1,395
1999	34,299
2000	1,611
Thereafter	198,374
Total	$257,684

</TABLE>

4. CONTINGENCIES

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

5. SUBSEQUENT EVENTS

On October 9, 1996, the Company paid off the remaining balance of $21 and terminated the construction note payable that was collateralized by a first deed of trust on the Rosewalk at Waterford Park community.

As of November 8, 1996, the Company had elected to issue 3,812 shares of common stock to limited partners of Bay Countrybrook L.P. who had requested a redemption of their partnership units for cash. 2,287 of these shares had been issued as of November 8, 1996.

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

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 including, without limitation, statements relating to development activities of the Company. Although the Company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, the Company's actual results and performance of development communities could differ materially from those set forth in the forward-looking statements. Certain factors that might cause such a difference include general economic conditions, local real estate conditions, construction delays due to unavailability of materials, weather conditions or other delays and those factors discussed below in this Form 10-Q.

RESULTS OF OPERATIONS

The following discussion sets forth historical results of operations for the Company for the quarters ended September 30, 1996 and 1995. The following table outlines the communities acquired or leased-up during 1995 and 1996:

<TABLE>
<S> <C>

1995 ACQUISITION COMMUNITIES		1995 DEVELOPMENT COMMUNITIES	
COMMUNITY	DATE ACQUIRED	COMMUNITY	STATUS
Sea Ridge	February 17, 1995(a)	Carriage Square	(b)
Rivershore	April 28, 1995	Canyon Creek	(c)
City Heights	October 19, 1995		
Promenade	October 25, 1995		
The Pointe	December 12, 1995		

1996 QUARTER 2 ACQUISITION COMMUNITIES		1996 DEVELOPMENT COMMUNITIES	
COMMUNITY	DATE ACQUIRED	COMMUNITY	STATUS
Park Centre	May 15, 1996	Rosewalk	(d)
Parkside Commons	May 15, 1996	Lawrence Exprway. Site	(e)
Sunset Towers	May 22, 1996	Stevens Creek Blvd. Site	(f)
		The Alameda Site	(g)

1996 QUARTER 3 ACQUISITION COMMUNITIES	
COMMUNITY	DATE ACQUIRED
Countrybrook	July 12, 1996
Larkspur Canyon (formerly Villa Marguerite)	July 19, 1996
The Fountains	July 26, 1996
Mill Creek	July 26, 1996
Channing Heights	August 7, 1996
Martinique Gardens	August 7, 1996

</TABLE>

The 1995 and 1996 Quarter 2 and 3 Acquisition Communities and the 1995 and 1996 Development Communities are collectively termed the "Acquisition Communities."

(a) Under significant renovation commencing July, 1995 and under lease-up in 1996.

(b) Occupancy commenced in January, 1995 and operations stabilized in October, 1995.

(c) Occupancy commenced in April, 1995 and operations stabilized in December, 1995.

(d) Lease-up commenced in June, 1996, occupancy commenced in August, 1996 and operations are expected to be stabilized in June, 1997.

(e) Purchased on May 16, 1996, occupancy is expected to commence in June, 1997 and operations are expected to be stabilized in December, 1998.

(f) The Company purchased 2.5 acres of this site on April 26, 1996 and has entered into a contract to acquire the contiguous 5.4 acres. If the contiguous site is acquired and the planned community is developed, occupancy is expected to commence in March, 1998 and operations are expected to be stabilized in December, 1998.

(g) The Company has entered into contracts to acquire two sites. If the sites for this development are acquired and the planned community is developed, occupancy is expected to commence in June, 1998 and operations are expected to be stabilized in June, 1999.

There are risks associated with the Company's development and construction activities which include: development and acquisition opportunities explored by the Company may be abandoned; construction costs of a community may exceed original estimates due to increased materials, labor or other expenses, which could make completion of the community uneconomical; occupancy rates and rents at a newly completed community are dependent on a number of factors, including market and general economic conditions, and may not be sufficient to make the community profitable; financing may not be available on favorable terms for the development of a community; and construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs. Development activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy, and other required governmental permits and authorizations. The occurrence of any of the events described above could adversely affect the Company's ability to achieve its projected yields on communities under development or reconstruction and could prevent the Company from making expected distributions.

Acquisitions entail risks that investments will fail to perform in accordance with expectations and that judgments with respect to the cost 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.

COMPARISON OF THE QUARTER ENDED SEPTEMBER 30, 1996 TO THE QUARTER ENDED SEPTEMBER 30, 1995.

The Company's results of operations are summarized as follows for the quarters ended September 30, 1996 and 1995:

<TABLE>
<CAPTION>

	For the quarter ended September 30,			
(Dollars in thousands)	1996	1995	$-Change	%-Change
<S>	<C>	<C>	<C>	<C>
Revenues:				
Rental	$22,380	$13,284	$ 9,096	68.5%
Other	670	340	330	97.1%
Total revenues	23,050	13,624	9,426	69.2%
Expenses:				
Property operating	5,407	3,375	2,032	60.2%
Property taxes	1,840	1,065	775	72.8%
General and administrative	997	711	286	40.2%
Interest and financing	3,743	2,958	785	26.5%
Depreciation and amortization	5,080	3,388	1,692	49.9%
Total expenses	17,067	11,497	5,570	48.5%
Income before minority interest	5,983	2,127	3,856	181.3%
Minority interest	138	6	132	2,200.0%
Net income	$ 5,845	$ 2,121	$ 3,724	175.6%

</TABLE>

Revenues from rental property increased primarily as a result of the addition of the Acquisition Communities. The 1995 Acquisition Communities contributed $2,923 for the quarter ended September 30, 1996, versus $765 for the quarter ended September 30, 1995. The 1995 Development Communities contributed $2,482 for the quarter ended September 30, 1996, versus $1,606 for the quarter ended September 30, 1995. The 1996 Quarter 2 Acquisition Communities and the 1996 Quarter 3 Acquisition Communities contributed $1,941 and $2,756, respectively. Rosewalk contributed $159. The remainder of the increase was from the remaining communities. The Acquisition Communities also contributed to the majority of the increase in other income.

Property operating expenses increased primarily as a result of the addition of the Acquisition Communities. Of the $2,032 increase, $541 was attributable to the 1995 Acquisition Communities, $35 was attributable to the 1995 Development Communities, $495 was attributable to the 1996 Quarter 2 Acquisition Communities, $525 was attributable to the 1996 Quarter 3 Acquisition Communities, and $75 was attributable to Rosewalk with the remainder of the increase attributable to the remaining communities. In addition, property tax increased primarily as a result of the addition of the Acquisition Communities.

General and administrative costs increased for the quarter ended September 30, 1996 as compared with the quarter ended September 30, 1995, primarily due to the growth in employee-related costs needed to manage the Acquisition Communities. The 1996 and 1995 amounts are net of $592 and $177, respectively, of allocated indirect project costs capitalized to construction and reconstruction projects, representing approximately 37% and 20% of total general and administrative expense for the quarters ended September 30, 1996 and 1995, respectively.

Interest and financing expense increased for the quarter ended September 30, 1996 as compared to the quarter ended September 30, 1995 due to higher balances of debt and related interest expense on the Acquisition Communities, offset in part by a lower overall cost of funds.

Depreciation and amortization expense increased due to the addition of the Acquisition Communities.

THE COMPANY'S RESULTS OF PROPERTY OPERATIONS (EARNINGS BEFORE INTEREST, TAXES AND DEPRECIATION - "EBITDA") ON A "SAME STORE" BASIS (SEE NOTE 1) IS SUMMARIZED BELOW FOR THE QUARTERS ENDED SEPTEMBER 30, 1996 AND 1995:

<TABLE>
<CAPTION>

	For the quarter(1) ended September 30,			
(Dollars in thousands)	1996	1995	$-Change	%-Change
<S>	<C>	<C>	<C>	<C>
Revenues	$9,862	$8,820	$1,042(2)	11.8%
Expenses	2,876	2,799	77(3)	2.8%
EBITDA	$6,986	$6,021	$ 965	16.0%

</TABLE>

(1) Includes the communities owned upon the Initial Offering and four acquisitions comprising a total of 3,330 apartment homes.

(2) Same Store revenues increased due to rental increases of $856, vacancy reductions of $102, concession reductions of $65 and a net other income increase of $19.

(3) Same Store expenses increased primarily due to increases in insurance, repairs and maintenance, property taxes and utilities offset in part by reductions in management and administrative costs, turnover costs and marketing and advertising costs.

LIQUIDITY AND CAPITAL RESOURCES

In May, 1996, the Company replaced both its $80 million secured credit facility and its $47 million secured credit facility (the "Credit Facilities") with a new, three year, $150 million unsecured line of credit. In August, 1996, the Company expanded this unsecured line of credit to $200 million (the "Unsecured Line of Credit"). The Company paid non-refundable fees totaling $800,000 so that the lender would make the unsecured line available for construction purposes. These fees are capitalized against the construction projects to which the line relates. The Unsecured Line of Credit matures in May, 1999 and currently bears interest at various LIBOR rates plus 1.55%.

The Company has considered its short-term liquidity needs and anticipates that these needs will be fully funded from cash flows provided by operating activities. The Company believes that its principal short-term liquidity needs are to fund normal recurring expenses, debt service requirements and the distributions required to maintain the Company's REIT qualification under the Code.

The Company expects to fund certain committed construction, acquisition and rehabilitation projects with a combination of working capital and the Unsecured Line of Credit. The Company intends to use available working capital first and available proceeds under its Unsecured Line of Credit second.

The Company's outstanding debt as of September 30, 1996 is summarized as follows:

<TABLE>
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(Dollars in thousands)	Balance	Available	Matures	Rate		Interest Rate Protection
<S>	<C>	<C>	<C>	<C>	<C>	

Tax-exempt variable rate under interest rate swap	$ 88,855	$ --	November, 2022 - June, 2025	6.48%(a)	Interest rate is fixed until June, 2010.
Tax-exempt variable rate under interest rate swap	87,380	--	November, 2007 - March, 2017	5.88%(b)	Interest rate is fixed until March, 2004.
Tax-exempt fixed rate	20,193	--	March, 2012	7.87%(c)	
Tax-exempt variable rate	20,800	--	March, 2018	6.37%(d)	
Tax-exempt variable rate	7,635	--	March, 2023	5.65%(e)	
Subtotal	224,863	--			
$200,000 Unsecured Line of Credit(f)	32,800	167,200	May, 1999	Libor + 1.55%	
Rosewalk Construction loan(g)	21	25,479	October, 1997	Libor + 2.15%	
Total	$257,684	$192,679			

</TABLE>

(a) The 6.48% rate represents an all-in financing cost, including amortization of deferred financing costs.

(b) The 5.88% rate excludes the amortization of financing costs paid by the sponsor prior to the Initial Offering; if such costs were included, the all-inclusive effective rate would be 6.30%.

(c) The 7.87% rate represents an all-in financing cost, including amortization of deferred financing costs, and is fixed until April, 2002.

(d) The 6.37% rate represents an all-in financing cost, including amortization of all deferred financing costs. The Company has the right to repurchase these bonds and currently plans to repurchase and reissue them on a long term fixed rate basis by March 10, 1997.

(e) The 5.65% rate represents an all-in financing cost, including amortization of all deferred financing costs. The debt floats in a seven-day put bond mode with a current interest rate of 3.75%.

(f) The Unsecured Line of Credit balance was used for development and construction purposes.

(g) The Company paid off and terminated this loan on October 9, 1996.

The Company anticipates that its cash flow and cash available from the Unsecured Line of Credit will be adequate to meet its liquidity requirements for the foreseeable future. The Company anticipates that dividends will be paid from Funds from Operations.

Net cash provided by operations for the nine months ended September 30, 1996 increased to $29,030 from $12,448 for the nine months ended September 30, 1995, primarily due to higher net income and non-cash charges to net income from the addition of the Acquisition Communities and increases in short-term liability balances. Additionally, less net cash was used for other asset purchases during the nine months ended September 30, 1996 than the nine months ended September 30, 1995.

Net cash used for investing activities was $198,381 and $22,760 for the nine months ended September 30, 1996 and 1995, respectively. This increase reflects the expenditures for the purchases of the 1996 Quarter 2 and 3 Acquisition Communities as well as the purchases of the Lawrence Expressway Site and the Stevens Creek Boulevard Site. Additionally, there were net increases in amounts used to complete the Rosewalk community, as well as other refurbishment and reconstruction projects.

Net cash provided by financing activities was $168,605 and $7,885 for the nine months ended September 30, 1996 and 1995, respectively. The net cash provided from financing activities in 1996 reflects primarily the net proceeds from the 1996 Offerings and the August 5, 1996 public offering less dividends paid.

INFLATION

Substantially all of the leases at the Company's apartment communities are for a term of one year or less, which will enable the Company to counter the adverse effects of inflation by increasing rents upon renewal of existing leases or commencement of new leases. However, these short-term leases permit a resident to leave at the end of the lease term at minimal cost to the resident.

FUNDS FROM OPERATIONS AND FUNDS AVAILABLE FOR DISTRIBUTION

Many industry analysts consider Funds from Operations an appropriate measure of performance of an equity REIT. Funds from Operations ("FFO") as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), means net income (or loss) (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. This definition was revised by NAREIT effective for periods after 1995 to exclude the add-back of non-real estate depreciation and the amortization of recurring deferred financing costs ("FFO-revised definition"). The Company believes that in order to facilitate a clear understanding of the historical operating results, FFO and FFO-revised definition should be examined in conjunction with net income (loss) as presented in the financial statements. FFO and FFO-revised definition should not be considered as a substitute for net income (loss) as a measure of results of operations or for cash flow from operations as a measure of liquidity.

For the quarter ended September 30, 1996, FFO-revised definition increased from $5,287 to $10,831 from the quarter ended September 30, 1995. This increase is primarily due to higher net income and depreciation add-back due to the addition of the Acquisition Communities.

Funds from Operations and Funds Available for Distribution for the quarters ended September 30, 1996, June 30, 1996, March 31, 1996, December 31, 1995 and September 30, 1995, are summarized as follows:

CALCULATION OF FUNDS FROM OPERATIONS AND FUNDS AVAILABLE FOR DISTRIBUTION

<TABLE>
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	---------Quarter Ended---------				
	Sept. 30, 1996	June 30, 1996	Mar. 31, 1996	Dec. 31, 1995	Sept. 30, 1995
<S>	<C>	<C>	<C>	<C>	<C>
(Dollars in thousands)					
Net income	$ 5,845	$ 3,572	$ 3,195	$ 3,000	$ 2,121
Depreciation - real estate assets	4,899	4,008	3,692	3,380	3,044
Extraordinary item	--	511	--	--	--
Amortization of non-recurring costs, primarily legal, from the issuance of tax-exempt bonds(1)	87	88	95	152	122
Subtotal - FFO revised definition(2)	10,831	8,179	6,982	6,532	5,287
Recurring adjustments to net income:					
Amortization of origination fees on Credit Facilities(3)	--	41	104	159	152
Amortization of reincorporation costs	7	7	7	--	--
Amortization of credit enhancement costs(4)	38	38	38	38	38
Depreciation - non-real estate assets	49	38	35	36	32
Subtotal-FFO	10,925	8,303	7,166	6,765	5,509
Capital improvements(5)	(457)	(252)	(162)	(241)	(157)
Loan principal payments	(131)	(88)	(88)	(72)	(94)
Funds Available for Distribution ("FAD")	$ 10,337	$ 7,963	$ 6,916	$ 6,452	$ 5,258
Weighted average shares outstanding(6)	19,686,087	15,205,997	13,969,068	13,927,603	11,544,287

</TABLE>

(1) Represents the amortization of pre-1986 bond issuance costs carried forward to the Company, under the pooling of interest method of accounting, and costs associated with the reissuance of tax-exempt bonds incurred prior to the Initial Offering in order to preserve the tax-exempt status of the bonds at the Initial Offering.

(2) FFO before recurring amortization represents the revised definition of FFO adopted by the NAREIT Board of Governors for periods after 1995.

(3) Represents origination fees and costs incurred at the initial setup of the Credit Facilities. Such costs are amortized over the life of the respective Credit Facilities. These Credit Facilities were closed in May, 1996 and the unamortized loan fees were recorded as an extraordinary item.

(4) Represents origination fees and costs incurred at the initial setup of the credit enhancements used for the issuance of tax-exempt bonds. Such costs are amortized over the life of the respective credit enhancements.

(5) Capital improvements represent amounts expended at communities acquired or developed prior to 1995. A breakdown of expenditures is as follows:

<TABLE>
<CAPTION>

(Dollars in thousands, except per unit data)	Total Quarter ended September 30, 1996	Per Unit Quarter ended September 30, 1996
<S>	<C>	<C>
Non-revenue generating:		
Exterior painting	$161	$19
Leasing pavilion construction	119	14
Fitness center equipment	24	3
Other capital improvements	52	6
Subtotal	356	42
Revenue generating:		
Fixtures	71	8
Appliances	30	3
Subtotal	101	11
Total Improvements	$457	$53

</TABLE>

The Company, as a matter of policy, expenses any apartment-related expenditure less than $5,000. These normally include any expenditure related to the interior of an apartment. The Company typically capitalizes non-revenue generating expenditures such as those for new security gate systems, leasing pavilion reconstruction and redecorating, roofing repair and replacement, exterior siding repair and repainting and parking area resurfacing. The Company also capitalizes revenue generating expenditures and cashflow enhancing improvements such as those expended for construction of new garages or installation of water conservation devices which almost immediately and permanently either earn additional revenue or reduce expenses. Appliance additions represents primarily the acquisition of washer/dryer units for apartments which generate additional rental and other income. Capitalized expenditures as described here exclude major reconstruction costs incurred in conjunction with the acquisition and repositioning of newly purchased apartment communities. Such costs are added to the purchase price of those communities. The per unit calculation for the quarter is based on the ending number of units in the portfolio on September 30, 1996.

(6) The weighted average shares outstanding shown differs from the weighted average shares outstanding for the purpose of calculating earnings per share because the conversion of preferred stock is antidilutive for calculating earnings per share, but dilutive for the purposes of calculating FFO per share and FFO-revised definition per share.

PART II - OTHER INFORMATION

Item 1: Legal Proceedings

None

Item 2: Changes in Securities

None

Item 3: Defaults Upon Senior Securities

None

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

None

Item 5: Other Information

None

Item 6: Exhibits and Reports on Form 8-K

(a) Exhibits

Index to Exhibits

Exhibit No.	Description
3(i).1	Amended and Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit 3(i).1 to Form 8-B of Bay Apartment Communities, Inc. dated June 8, 1995).
3(i).2	Forms of Articles Supplementary of the Company. (Incorporated by reference to Exhibit 3(i).1 to Form 8-K of Bay Apartment Communities, Inc. dated September 25, 1995).
3(i).3	Articles Supplementary relating to the Series B Preferred Stock of the Company. (Incorporated by reference to Exhibit 3(i).1 to Form 8-K of Bay Apartment Communities, Inc. dated May 6, 1996.)
3(ii).1	Amended and Restated to By-laws of the Company. (Incorporated by reference to Exhibit 10.1 to Form 8-B of Bay Apartment Communities, Inc. dated June 8, 1995).
10.1	Letter agreement dated August 30, 1996 amending the Revolving Loan Agreement, dated May 8, 1996, among the Company as Borrower, Union Bank of Switzerland (New York Branch) as Co- Agent and Bank, and Union Bank of Switzerland (New York Branch) as Administrative Agent.
23.1	Consent of Rosen Consulting Group. (Incorporated by reference to Exhibit 23.1 to Form 8-K of Bay Apartment Communities, Inc. dated July 5, 1996).
23.2	Consent of Ann Roulac and Company. (Incorporated by reference to Exhibit 23.2 to Form 8-K of Bay Apartment Communities, Inc. dated July 5, 1996).

27.1	Financial Data Schedule.
99.1	The Apartment Markets in Orange, Santa Clara, Alameda, San Francisco and San Mateo Counties, dated June 28, 1996, and the addendum thereto, presented to the Company by the Rosen Consulting Group. (Incorporated by reference to Exhibit 99.1 to Form 8-K of Bay Apartment Communities, Inc. dated July 5, 1996).
99.2	San Francisco Bay Area Rental Analysis, dated June 30, 1996 presented to the Company by Ann Roulac and Company. (Incorporated by reference to Exhibit 99.2 to Form 8-K of Bay Apartment Communities, Inc. dated July 5, 1996).

(b) Reports on Form 8-K

1. Form 8-K of the Company, dated July 5, 1996, regarding reports prepared for the Company by Ann Roulac and Company and the Rosen Consulting Group. These reports provide the Company with information including, but not limited to, general market overviews, and demographic trends.

SIGNATURES

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

BAY APARTMENT COMMUNITIES, INC.

Date: November 8, 1996

/s/ Gilbert M. Meyer

Gilbert M. Meyer
President and Chairman of the Board

Date: November 8, 1996

/s/ Jeffrey B.Van Horn

Jeffrey B. Van Horn
Chief Financial Officer
(authorized Officer of the Registrant
and Principal Financial Officer)

EXHIBIT 10.1

August 30, 1996

Bay Apartment Communities, Inc.
4340 Stevens Creek Blvd.
Suite 275
San Jose, California 95129

Attention: Gilbert M. Meyer, President

Re: $150,000,000 revolving credit loan (the "Loan") made pursuant to a Revolving Loan Agreement, dated as of May 8, 1996, among you, as Borrower, Union Bank of Switzerland (New York Branch) ("UBS") as Administrative Agent, and UBS, as Co-Agent and Bank, as modified by a letter agreement, dated June 26, 1996 (said Revolving Loan Agreement, as modified, the Loan Agreement")

Dear Sirs:

Capitalized terms used below shall, unless otherwise indicated, have the meanings given such terms in the Loan Agreement.

You have applied to the undersigned, who constitute all the Banks under the Loan Agreement as of the date hereof, to increase the Total Loan Commitment by the sum of $50,000,000 (to be allocated entirely to the Loan Commitment of UBS) and to otherwise modify the Loan Agreement, and the undersigned have agreed to such increase and modification, subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, you and the undersigned agree as follows:

1. In Section 1.01 of the Loan Agreement, the definition of the term "Co-Agent" is amended to refer to each of UBS and UBC individually, and the definition of the term "Co-Agents" is amended to refer to UBS and UBC collectively.

2. The amounts of the "Loan Commitments" of UBS and UBC under the Loan Agreement are amended to the following:

UBS	$150,000,000
UBC	50,000,000

The amounts of the Loan Commitments of the Banks shall be subject to change as a result of assignments by one or more of the Banks pursuant to the third paragraph of Section 12.05 of the Loan Agreement.

3. The definition of the term "Restricted Properties" in Section 1.01 of the Loan Agreement is amended and restated in its entirety as follows:

" 'Restricted Properties' means those properties listed in EXHIBIT F, together with such other properties as may become Restricted Properties pursuant to Section 2.17".

4. Exhibit F to the Loan Agreement is amended and restated in its entirety by EXHIBIT F attached hereto.

5. Section 2.17 of the Loan Agreement is amended by deleting the word "and" immediately before clause (2) of the first paragraph thereof and inserting the following language before the period at the end of said first paragraph:

"and (3) in the event Borrower desires that (subject to the right of approval of Administrative Agent and Co-Agents) the property that is the subject of the Acquisition become a Restricted Property, an agreement, duly executed by Borrower, in form satisfactory to Administrative Agent, amending EXHIBIT F to add such property as a Restricted Property".

6. In Section 10.14 of the Loan Agreement, the figure "16.67%" is amended to "12.5%".

7. In the first sentence of the third paragraph of Section 12.05 of the Loan Agreement, the phrase "having a Loan Commitment of $30,000,000 or more" in the second line thereof is deleted, and the figure "$15,000,000" in the sixteenth line thereof is deleted and the following is inserted in its place:

"$10,000,000, provided, further, however, that the assigning Bank shall not be required to maintain a Loan Commitment in the minimum amount aforesaid in the event it assigns all of its rights and obligations under this Agreement and its Note".

The obligation of the undersigned to increase and modify the Loan as set forth above shall be conditioned on (a) Administrative Agent's receipt of (i) a note, in the principal amount of $50,000,000, payable to UBS, duly executed by you, which shall evidence the $50,000,000 increase in the Loan Commitment of UBS and shall constitute, together with the $100,000,000 Note to UBS dated May 29, 1996, the "Note" of UBS; (ii) an amendment, duly executed by you, to the Supplemental Fee Letter; (iii) a resolution of your board of directors authorizing you to execute this letter agreement and the documents contemplated hereby (including documents in connection with the syndication of the Loan referred to in clause (b) below) and to enter into the transactions contemplated hereby; (iv) an opinion of your counsel with respect to the transactions contemplated hereby (each of the items required by the foregoing clauses (i) through (iv) to be in form and substance satisfactory to each of the undersigned); and (v) the fees required to be paid pursuant to the aforementioned amendment to the Supplemental Fee Letter and the reasonable fees and expenses of your counsel in connection with the transactions contemplated hereby (including the syndication of the Loan); and (b) the closing, immediately upon the closing of the increase and modification of the Loan, of assignments pursuant to Section 12.05 of the Loan Agreement of interests in the Loan such that the amount of the Loan Commitment of each of UBC and UBS shall be reduced to $30,000,000 and Assignees of UBC and UBS shall become Banks having Loan Commitments in an amount aggregating $140,000,000.

Except as modified hereby, the Loan Agreement and other Loan Documents shall remain unchanged and in full force and effect.

Kindly indicate your acknowledgment of the foregoing by signing and returning the enclosed copy of this letter.

Very truly yours,

UNION BANK OF SWITZERLAND
(New York Branch)

By /s/ Joseph Bassil

Name: Joseph Bassil
Title: Vice President

By /s/ Albert Rabil III

Name: Albert Rabil III
Title: Vice President

UNION BANK OF CALIFORNIA, N.A.

By /s/ James B. Wohlleb

Name: James B. Wohlleb
Title: Vice President

By /s/ J. Michael Stedman

Name: J. Michael Stedman
Title: Vice President

Acknowledged this ___
day of August, 1996

BAY APARTMENT COMMUNITIES, INC.

BY /s/ Gilbert M. Meyer

Name: Gilbert M. Meyer
Title: President

EXHIBIT F

RESTRICTED PROPERTIES

Regatta Bay	Foster City, CA
Sommerset	Vacaville, CA
The Promenade	Sunnyvale, CA
The Pointe	Fairfield, CA
Hampton Place	Fremont, Ca
Carriage Square	San Jose, CA
Park Centre	Union City, CA
Parkside Commons	Sunnyvale, CA
Sunset Towers	San Francisco, CA
The Fountains	San Jose, CA
Mill Creek	Costa Mesa, CA

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AT SEPTEMBER 30, 1996 AND THE CONSOLIDATED STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH THIRD QUARTER FILING ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 1996.
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