UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013

Commission file number 1-12672

AVALONBAY COMMUNITIES, INC.

(Exact name of registrant as specified in its charter)

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

Ballston Tower
671 N. Glebe Rd, Suite 800
Arlington, Virginia 22203
(Address of principal executive offices, including zip code)

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

(Former name, if changed since last report)

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

Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No o

Indicate by check mark whether the Exchange registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer (Do not check if a smaller reporting company) o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes o No x

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:

129,402,894 shares of common stock, par value $0.01 per share, were outstanding as of July 31, 2013

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

	6-30-13 (unaudited)	12-31-12
ASSETS		
Real estate:		
Land	$ 3,310,543	$ 1,430,532
Buildings and improvements	11,249,812	7,112,763
Furniture, fixtures and equipment	325,288	254,378
	14,885,643	8,797,673
Less accumulated depreciation	(2,326,132)	(2,021,703)
Net operating real estate	12,559,511	6,775,970
Construction in progress, including land	1,146,805	802,857
Land held for development	409,930	316,037
Operating real estate assets held for sale, net	—	120,256
Total real estate, net	14,116,246	8,015,120
Cash and cash equivalents	111,147	2,733,618
Cash in escrow	94,400	50,033
Resident security deposits	27,886	24,748
Investments in unconsolidated real estate entities	365,521	129,352
Deferred financing costs, net	35,726	38,700
Deferred development costs	37,260	24,665
Prepaid expenses and other assets	183,999	143,842
Total assets	$ 14,972,185	$ 11,160,078
LIABILITIES AND EQUITY		
Unsecured notes, net	$ 1,846,113	$ 1,945,798
Variable rate unsecured credit facility	142,000	—
Mortgage notes payable	3,865,206	1,905,235
Dividends payable	138,456	110,966
Payables for construction	84,984	53,677
Accrued expenses and other liabilities	224,189	223,651
Accrued interest payable	39,735	33,056
Resident security deposits	48,225	38,328
Liabilities related to real estate assets held for sale	—	1,547

Total liabilities	6,388,908	4,312,258
Redeemable noncontrolling interests	19,514	7,027
Equity:		
Preferred stock, $0.01 par value; $25 liquidation preference; 50,000,000 shares authorized at both June 30, 2013 and December 31, 2012; zero shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	—	—
Common stock, $0.01 par value; 280,000,000 shares authorized at June 30, 2013 and 140,000,000 shares authorized at December 31, 2012; 129,398,867 and 114,403,472 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	1,294	1,144
Additional paid-in capital	8,972,852	7,086,407
Accumulated earnings less dividends	(308,938)	(142,329)
Accumulated other comprehensive loss	(105,042)	(108,007)
Total equity	8,560,166	6,837,215
Noncontrolling interest	3,597	3,578
Total equity	8,563,763	6,840,793
Total liabilities and equity	$ 14,972,185	$ 11,160,078

See accompanying notes to Condensed Consolidated Financial Statements.

AVALONBAY COMMUNITIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME
(unaudited)
(Dollars in thousands, except per share data)

	For the three months ended		For the six months ended	
	6-30-13	6-30-12	6-30-13	6-30-12
Revenue:				
Rental and other income	$ 386,321	$ 249,675	$ 694,415	$ 491,501
Management, development and other fees	2,913	2,770	5,185	5,319
Total revenue	389,234	252,445	699,600	496,820
Expenses:				
Operating expenses, excluding property taxes	90,056	66,751	163,748	130,788
Property taxes	42,038	24,528	74,753	48,171
Interest expense, net	43,169	33,191	81,342	66,814
Loss on extinguishment of debt, net	—	—	—	1,179
Depreciation expense	196,106	63,224	305,280	124,137
General and administrative expense	11,345	8,316	21,384	18,026
Expensed acquisition, development, and other pursuit costs	3,768	901	43,827	1,141
Total expenses	386,482	196,911	690,334	390,256
Equity in income (loss) of unconsolidated entities	(940)	2,073	(19,503)	4,248
Gain on sale of land	240	280	240	280
Income (loss) from continuing operations	2,052	57,887	(9,997)	111,092
Discontinued operations:				
Income from discontinued operations	363	3,885	3,394	8,289
Gain on sale of real estate assets	33,682	95,049	118,173	95,049
Total discontinued operations	34,045	98,934	121,567	103,338
Net income	36,097	156,821	111,570	214,430
Net loss attributable to noncontrolling interests	121	88	78	237
Net income attributable to common stockholders	$ 36,218	$ 156,909	$ 111,648	$ 214,667
Other comprehensive income:				
Unrealized gain (loss) on cash flow hedges	—	(27,798)	—	(16,789)
Cash flow hedge losses reclassified to earnings	1,574	—	2,965	—
Comprehensive income	$ 37,792	$ 129,111	$ 114,613	$ 197,878
Earnings per common share - basic:				
Income (loss) from continuing operations attributable to common stockholders	$ 0.02	$ 0.61	$ (0.08)	$ 1.17
Discontinued operations attributable to common stockholders	0.26	1.03	0.98	1.08
Net income attributable to common stockholders	$ 0.28	$ 1.64	$ 0.90	$ 2.25
Earnings per common share - diluted:				
Income (loss) from continuing operations attributable to common stockholders	$ 0.02	$ 0.60	$ (0.08)	$ 1.16

Discontinued operations attributable to common stockholders	0.26	1.03	0.97	1.08
Net income attributable to common stockholders	$ 0.28	$ 1.63	$ 0.89	$ 2.24
Dividends per common share:	$ 1.07	$ 0.97	$ 2.14	$ 1.94

See accompanying notes to Condensed Consolidated Financial Statements.

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

	For the six months ended	
	6-30-13	6-30-12
Cash flows from operating activities:		
Net income	$ 111,570	$ 214,430
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation expense	305,280	124,137
Depreciation expense from discontinued operations	875	4,194
Amortization of deferred financing costs and debt (premium) discount	(8,390)	3,040
Amortization of stock-based compensation	3,581	4,268
Equity in (income) loss of, and return on, unconsolidated entities and noncontrolling interests, net of eliminations	33,134	(3,182)
Loss on extinguishment of debt, net	—	1,781
Gain on sale of real estate assets	(118,413)	(95,329)
Gain on sale of joint venture real estate assets	(10,824)	—
Increase in cash in operating escrows	(8,291)	(1,988)
Increase in resident security deposits, prepaid expenses and other assets	(43,499)	(20,732)
(Increase) decrease in accrued expenses, other liabilities and accrued interest payable	2,188	(8,151)
Net cash provided by operating activities	267,211	222,468
Cash flows from investing activities:		
Development/redevelopment of real estate assets including land acquisitions and deferred development costs	(591,894)	(341,144)
Acquisition of real estate assets, including partnership interest	(749,275)	(37,105)
Capital expenditures - existing real estate assets	(1,986)	(6,606)
Capital expenditures - non-real estate assets	(2,721)	(588)
Proceeds from sale of real estate, net of selling costs	432,380	182,225
Increase in payables for construction	31,307	6,582
Decrease in cash in construction escrows	—	1,697
(Increase) decrease in investments in unconsolidated real estate entities	(2,161)	2,188
Net cash used in investing activities	(884,350)	(192,751)
Cash flows from financing activities:		
Issuance of common stock	2,605	175,682
Dividends paid	(249,267)	(177,322)
Net borrowings under unsecured credit facility	142,000	—
Issuance of mortgage notes payable	71,210	—
Repayments of mortgage notes payable, including prepayment penalties	(1,786,130)	(103,621)
Settlement of interest rate contract	(51,000)	—
Repayment of unsecured notes	(100,000)	(179,400)
Payment of deferred financing costs and issuance discounts	(524)	(123)
Acquisition of joint venture partner equity interest	(1,965)	(3,350)
Redemption of preferred interest obligation	(32,086)	—
Distributions to DownREIT partnership unitholders	(16)	(15)
Distributions to joint venture and profit-sharing partners	(159)	(158)
Net cash used by financing activities	(2,005,332)	(288,307)
Net decrease in cash and cash equivalents	(2,622,471)	(258,590)
Cash and cash equivalents, beginning of period	2,733,618	616,853
Cash and cash equivalents, end of period	$ 111,147	$ 358,263
Cash paid during the period for interest, net of amount capitalized	$ 75,648	$ 62,012

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

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

During the six months ended June 30, 2013:

- As described in Note 4, "Equity," 14,889,706 shares of common stock valued at $1,875,210,000 were issued as partial consideration for the Archstone Acquisition (as defined in this Form 10-Q); 123,977 shares of common stock valued at $16,019,000 were issued in connection with stock grants; 1,030 shares valued at $140,000 were issued through the Company's dividend reinvestment plan; 44,222 shares valued at $5,638,000 were withheld to satisfy employees' tax withholding and other liabilities; and 5,214 shares valued at $516,000 previously issued in connection with employee compensation were cancelled upon forfeiture. In addition, the Company granted 215,230 options for common stock at a value of $5,768,000.

- The Company recorded a decrease to other liabilities and a corresponding decrease to interest expense, net of $2,484,000; and reclassified $2,965,000 of deferred cash flow hedge losses from other comprehensive income to interest expense, net to record the impact of the Company's derivative and hedge accounting activity.

- Common dividends declared but not paid totaled $138,456,000.

- The Company recorded $13,262,000 in redeemable noncontrolling interests associated with consolidated joint ventures acquired as part of the Archstone Acquisition. The Company also recorded an increase of $329,000 in redeemable noncontrolling interest with a corresponding decrease to accumulated earnings less dividends to adjust the redemption value associated with the put option held by a joint venture partner and DownREIT partnership units. For further discussion of the nature and valuation of these items, see Note 11, "Fair Value."

- The Company assumed secured indebtedness with a principal amount of $3,512,202,000 in conjunction with the Archstone Acquisition, discussed further in Note 3, "Notes Payable, Unsecured Notes and Credit Facility." The Company also assumed an obligation related to outstanding preferred interests of approximately $66,500,000, included in accrued expenses and other liabilities, and discussed further in Note 5, "Archstone Acquisition."

During the six months ended June 30, 2012:

- 95,941 shares of common stock valued at $12,786,000 were issued in connection with stock grants; 1,336 shares valued at $180,000 were issued through the Company's dividend reinvestment plan; 120,078 shares valued at $15,458,000 were withheld to satisfy employees' tax withholding and other liabilities; and 7,558 shares and options valued at $393,000 previously issued in connection with employee compensation were cancelled upon forfeiture. In addition, the Company granted 113,804 options for common stock at a value of $3,306,000.

- The Company recorded an increase to other liabilities and a corresponding decrease to other comprehensive income of $16,789,000; and recorded a decrease to prepaid expenses and other assets of $11,000, with a corresponding offset to the basis of unsecured notes, net to record the impact of the Company's hedge accounting activity.

- Common dividends declared but not paid totaled $93,698,000.

- The Company recorded an increase of $521,000 in redeemable noncontrolling interests with a corresponding decrease to accumulated earnings less dividends to adjust the redemption value associated with the put option held by a joint venture partner and DownREIT partnership units.

- The Company assumed a 4.61% coupon fixed rate mortgage loan with an outstanding balance of $11,958,000 in conjunction with the acquisition of The Mark Pasadena.

AVALONBAY COMMUNITIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Organization, Basis of Presentation and Significant Accounting Policies

Organization and Basis of Presentation

AvalonBay Communities, Inc. (the "Company," which term, unless the context otherwise requires, refers to AvalonBay Communities, Inc. together with its consolidated subsidiaries), is a Maryland corporation that elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986 (the "Code"). The Company focuses on the development, acquisition, ownership and operation of apartment communities primarily in high barrier to entry markets of the United States. The Company's primary markets are located in the New England, Metro New York/New Jersey, Mid-Atlantic, Pacific Northwest, and Northern and Southern California regions of the country.

At June 30, 2013, excluding real estate investments owned through the Residual JV discussed in this Form 10-Q, the Company owned or held a direct or indirect ownership interest in 246 operating apartment communities containing 73,564 apartment homes in 12 states and the District of Columbia, of which six communities containing 2,248 apartment homes were under reconstruction. In addition, the Company owned or held a direct or indirect ownership interest in 27 communities under construction that are expected to contain an aggregate of 7,935 apartment homes when completed. The Company also owned or held a direct or indirect ownership interest in land or rights to land in which the Company expects to develop an additional 47 communities that, if developed as expected, will contain an estimated 13,649 apartment homes.

The interim unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") 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 GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited financial statements should be read in conjunction with the financial statements and notes included in the Company's 2012 Annual Report on Form 10-K. The results of operations for the three and six months ended June 30, 2013 are not necessarily indicative of the operating results for the full year. Management believes the disclosures are adequate to ensure the information presented is 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.

Capitalized terms used without definition have the meaning as provided elsewhere in this Form 10-Q.

Earnings per Common Share

Basic earnings per share is computed by dividing net income attributable to common stockholders by the weighted average number of shares outstanding during the period. All outstanding unvested restricted share awards contain rights to non-forfeitable dividends and participate in undistributed earnings with common shareholders and, accordingly, are considered participating securities that are included in the two-class method of computing basic earnings per share ("EPS"). Both the unvested restricted shares and other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis. The Company's earnings per common share are determined as follows (dollars in thousands, except per share data):

	For the three months ended		For the six months ended	
	6-30-13	6-30-12	6-30-13	6-30-12
Basic and diluted shares outstanding				
Weighted average common shares - basic	129,179,471	95,308,163	124,456,232	95,082,172
Weighted average DownREIT units outstanding	7,500	7,500	7,500	7,500
Effect of dilutive securities	408,428	677,162	415,931	730,531
Weighted average common shares - diluted	129,595,399	95,992,825	124,879,663	95,820,203
Calculation of Earnings per Share - basic				
Net income attributable to common stockholders	$ 36,218	$ 156,909	$ 111,648	$ 214,667
Net income allocated to unvested restricted shares	(59)	(547)	(193)	(845)
Net income attributable to common stockholders, adjusted	$ 36,159	$ 156,362	$ 111,455	$ 213,822
Weighted average common shares - basic	129,179,471	95,308,163	124,456,232	95,082,172
Earnings per common share - basic	$ 0.28	$ 1.64	$ 0.90	$ 2.25
Calculation of Earnings per Share - diluted				
Net income attributable to common stockholders	$ 36,218	$ 156,909	$ 111,648	$ 214,667
Add: noncontrolling interests of DownREIT unitholders in consolidated partnerships, including discontinued operations	8	7	16	13
Adjusted net income attributable to common stockholders	$ 36,226	$ 156,916	$ 111,664	$ 214,680
Weighted average common shares - diluted	129,595,399	95,992,825	124,879,663	95,820,203
Earnings per common share - diluted	$ 0.28	$ 1.63	$ 0.89	$ 2.24

Certain options to purchase shares of common stock in the amounts of 606,318 and 424,357 were outstanding at June 30, 2013 and 2012, respectively, but were not included in the computation of diluted earnings per share because such options were anti-dilutive.

The Company is required to estimate the forfeiture of stock options and recognize compensation cost net of the estimated forfeitures. The estimated forfeitures included in compensation cost are adjusted to reflect actual forfeitures at the end of the vesting period. The forfeiture rate at June 30, 2013 is based on the average forfeiture activity over a period equal to the estimated life of the stock options, and was 1.2%. The application of estimated forfeitures did not materially impact compensation expense for the three and six months ended June 30, 2013 or 2012.

Derivative Instruments and Hedging Activities

The Company enters into interest rate swap and interest rate cap agreements (collectively, the "Hedging Derivatives") for interest rate risk management purposes and in conjunction with certain variable rate secured debt to satisfy lender requirements. The Company does not enter into derivative transactions for trading or other speculative purposes. The Company assesses both at inception and on an on-going basis, the effectiveness of qualifying cash flow and fair value hedges. Hedge ineffectiveness is reported as a component of general and administrative expenses. The fair values of the Hedging Derivatives that are in an asset position are recorded in prepaid expenses and other assets. The fair value of the Hedging Derivatives that are in a liability position are included in accrued expenses and other liabilities. Fair value changes for derivatives that are not in qualifying hedge relationships are reported as a component of interest expense, net. For the derivative positions that the Company has determined qualify as effective cash flow hedges, the Company has recorded the effective portion of cumulative changes in the fair value of the Hedging Derivatives in other comprehensive income. Amounts recorded in other comprehensive income will be reclassified into earnings in the periods in which earnings are affected by the hedged cash flow. The effective portion of the change in fair value of the Hedging Derivatives that the Company has determined qualified as effective fair value hedges is reported as an adjustment to the carrying amount of the corresponding debt being hedged.

Legal and Other Contingencies

The Company is involved in various claims and/or administrative proceedings that arise in the ordinary course of the Company's business. While no assurances can be given, the Company does not believe that any of these outstanding litigation matters, individually or in the aggregate, will have a material adverse effect on the Company's financial position or results of operations.

Acquisitions of Investments in Real Estate

The Company accounts for acquisitions of investments in real estate in accordance with the authoritative guidance for the initial measurement, which require the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree to be recognized at fair value. Typical assets and liabilities acquired include land, building, furniture, fixtures, and equipment, and identified intangible assets and liabilities, consisting of the value of above-below market leases and in-place leases. In making estimates of fair values for purposes of allocating purchase price, we utilize various sources, including our own analysis of recently acquired and existing comparable properties in our portfolio and other market data.

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to amounts in prior period financial statements to conform to current period presentations.

2. Interest Capitalized

The Company capitalizes interest during the development and redevelopment of real estate assets. Capitalized interest associated with the Company's development or redevelopment activities totaled $16,824,000 and $12,625,000 for the three months ended June 30, 2013 and 2012, respectively, and $29,963,000 and $24,945,000 for the six months ended June 30, 2013 and 2012, respectively.

3. Notes Payable, Unsecured Notes and Credit Facility

The Company's mortgage notes payable, unsecured notes and Credit Facility, as defined below, as of June 30, 2013 and December 31, 2012, are summarized below (dollars in thousands). The following amounts and discussion do not include the mortgage notes related to the communities classified as held for sale, if any, as of June 30, 2013 and December 31, 2012, as shown in the Condensed Consolidated Balance Sheets (see Note 7, "Real Estate Disposition Activities").

	6-30-13	12-31-12
Fixed rate unsecured notes (1)	$ 1,850,000	$ 1,950,000
Fixed rate mortgage notes payable - conventional and tax-exempt (2)	2,714,321	1,427,133
Variable rate mortgage notes payable - conventional and tax-exempt(2)	1,011,709	476,935
Total notes payable and unsecured notes	5,576,030	3,854,068
Credit Facility	142,000	—
Total mortgage notes payable, unsecured notes and Credit Facility	$ 5,718,030	$ 3,854,068

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(1) Balances at June 30, 2013 and December 31, 2012 exclude $3,887 and $4,202, respectively, of debt discount as reflected in unsecured notes on the Company's Condensed Consolidated Balance Sheets.
(2) Balances at June 30, 2013 and December 31, 2012 exclude $139,175 and $1,167, respectively of debt premium as reflected in mortgage notes payable on the Company's Condensed Consolidated Balance Sheets.

The following debt activity occurred during the six months ended June 30, 2013:

- In February 2013, as a portion of the consideration for the Archstone Acquisition, the Company assumed $3,512,202,000 consolidated principal amount of Archstone's existing secured indebtedness, repaying $1,477,720,000 principal amount of the indebtedness assumed concurrent with the closing of the Archstone Acquisition.
- In March 2013, the Company repaid $100,000,000 of its 4.95% medium term notes in accordance with the scheduled maturity.
- In April 2013, the Company obtained a 3.06% fixed rate, secured mortgage note in the amount of $15,000,000 that matures in April 2018.
- In April 2013, the Company repaid a 4.69% fixed rate, secured mortgage note in the amount of $170,125,000 pursuant to its scheduled maturity date.
- In May 2013, the Company repaid a $5,393,000 fixed rate secured mortgage note with an interest rate of 5.55% at par and without penalty in advance of its July 2028 scheduled maturity date.
- In May 2013, the Company obtained a 3.08% fixed rate secured mortgage note that matures in May 2020 in the amount of $56,210,000, in association with the refinancing of an existing $47,000,000 variable rate secured mortgage note.
- In May 2013, the Company repaid a $52,806,000 fixed rate secured mortgage note with an interest rate of 5.24% pursuant to its scheduled maturity date.

The Company has a $1,300,000,000 revolving variable rate unsecured credit facility with a syndicate of banks (the "Credit Facility") which matures in April 2017. The Company has the option to extend the maturity by up to one year for a fee of $1,950,000. The Credit Facility bears interest at varying levels based on the London Interbank Offered Rate ("LIBOR"), rating levels achieved on our unsecured notes and on a maturity schedule selected by us. The current stated pricing is LIBOR plus 1.05% (1.24% at June 30, 2013). The annual facility fee is approximately $1,950,000 annually based on the $1,300,000,000 facility size and based on our current credit rating.

The Company had $142,000,000 and $0 of borrowings outstanding under the Credit Facility and had $54,485,000 and $44,883,000 outstanding in letters of credit that reduced the borrowing capacity as of June 30, 2013 and December 31, 2012, respectively.

In the aggregate, secured notes payable mature at various dates from April 2014 through July 2066, and are secured by certain apartment communities and improved land parcels (with a net carrying value of $4,761,224,000, excluding communities classified as held for sale, as of June 30, 2013).

As of June 30, 2013, the Company has guaranteed approximately $400,290,000 of mortgage notes payable by wholly owned subsidiaries; all such mortgage notes payable are consolidated for financial reporting purposes. The weighted average interest rate of the Company's fixed rate mortgage notes payable (conventional and tax-exempt) was 4.7% and 5.8% at June 30, 2013 and December 31, 2012, respectively. The weighted average interest rate of the Company's variable rate mortgage notes payable and its Credit Facility, including the effect of certain financing related fees, was 2.4% and 2.7% at June 30, 2013 and December 31, 2012, respectively.

Scheduled payments and maturities of mortgage notes payable and unsecured notes outstanding at June 30, 2013 are as follows (dollars in thousands):

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Year	Secured notes payments (1)	Secured notes maturities	Unsecured notes maturities	Stated interest rate of unsecured notes
2013	$ 9,723	$ —	$ —	—
2014	19,608	—	150,000	5.375%
2015	18,358	904,014	—	—
2016	19,708	16,255	250,000	5.750%
2017	20,865	710,491	250,000	5.700%
2018	20,200	76,759	—	—
2019	8,761	610,813	—	—
2020	7,934	50,825	250,000	6.100%
2021	7,779	27,844	250,000	3.950%
2022	8,242	—	450,000	2.950%
Thereafter	89,800	1,098,051	250,000	2.850%
	$ 230,978	$ 3,495,052	$ 1,850,000	

(1) Secured note payments are comprised of the principal pay downs for amortizing mortgage notes.

The Company was in compliance at June 30, 2013 with certain customary financial and other covenants under the Credit Facility and the Company's unsecured notes.

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4. Equity

The following summarizes the changes in stockholders' equity for the six months ended June 30, 2013 (dollars in thousands):

	Common stock	Additional paid-in capital	Accumulated earnings less dividends	Accumulated other comprehensive loss	Total AvalonBay stockholders' equity	Noncontrolling interests	Total equity
Balance at December 31, 2012	$ 1,144	$ 7,086,407	$ (142,329)	$ (108,007)	$ 6,837,215	$ 3,578	$ 6,840,793
Net income attributable to common stockholders	—	—	111,648	—	111,648	—	111,648
Cash flow hedge loss reclassified to earnings	—	—	—	2,965	2,965	—	2,965
Change in redemption value of redeemable noncontrolling interest	—	—	(329)	—	(329)	—	(329)
Noncontrolling interests income allocation	—	—	—	—	—	19	19
Dividends declared to common stockholders	—	—	(276,894)	—	(276,894)	—	(276,894)
Issuance of common stock, net of withholdings	150	1,872,418	(1,034)	—	1,871,534	—	1,871,534
Amortization of deferred compensation	—	14,027	—	—	14,027	—	14,027
Balance at June 30, 2013	$ 1,294	$ 8,972,852	$ (308,938)	$ (105,042)	$ 8,560,166	$ 3,597	$ 8,563,763

During the six months ended June 30, 2013, the Company:

(i) issued 30,118 shares of common stock in connection with stock options exercised;
(ii) issued 1,030 common shares through the Company's dividend reinvestment plan;
(iii) issued 123,977 common shares in connection with stock grants;
(iv) withheld 44,222 common shares to satisfy employees' tax withholding and other liabilities;
(v) cancelled 5,214 shares of restricted common stock upon forfeiture; and

(vi) issued 14,889,706 common shares in connection with the closing of the Archstone Acquisition.

With respect to the 14,889,706 common shares issued in conjunction with the Archstone Acquisition to Lehman (as defined below), the Company and Lehman entered into a shareholders agreement (the "Shareholders Agreement"). Under the Shareholders Agreement, until February 27, 2014 Lehman will vote all of its shares of the Company's common stock in accordance with the recommendation of the Company's board of directors on any matter other than an extraordinary transaction. After February 14, 2014, and for so long as Lehman holds more than 5% of the Company's common stock, Lehman will vote all of its shares of the Company's common stock (i) in accordance with the recommendations of the Company's board of directors with respect to any election of directors, compensation and equity plan matters, and any amendment to our charter to increase our authorized capital stock; (ii) on all matters proposed by other shareholders, either proportionately in accordance with the votes of the other shareholders or, at its election, in accordance with the recommendation of the Company's board of directors; and (iii) on all other matters, in its sole and absolute discretion. In May 2013, Lehman sold 7,870,000 of the Company's common shares it received as consideration for the Archstone Acquisition. Lehman received all of the net proceeds from the offering, and the sale did not impact the total number of the Company's common shares outstanding.

In addition, during the six months ended June 30, 2013 the Company granted 215,230 options for common stock to employees. Any deferred compensation related to the Company's stock option and restricted stock grants during the six months ended June 30, 2013 is not reflected on the Company's Condensed Consolidated Balance Sheet as of June 30, 2013, and will not be reflected until earned as compensation cost.

In August 2012, the Company commenced a third continuous equity program ("CEP III"), under which the Company is authorized to sell up to $750,000,000 of shares of its common stock from time to time during a 36-month period. The Company had no sales under CEP III during the six months ended June 30, 2013, and has $646,274,000 of shares that remain authorized for issuance under this program as of June 30, 2013.

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5. Archstone Acquisition

On February 27, 2013, pursuant to an asset purchase agreement (the "Purchase Agreement") dated November 26, 2012, by and among the Company, Equity Residential and its operating partnership, ERP Operating Limited Partnership (together, "Equity Residential"), Lehman Brothers Holdings, Inc. ("Lehman", which term is sometimes used in this report to refer to Lehman Brothers Holdings, Inc., and/or its relevant subsidiary or subsidiaries), and Archstone Enterprise LP ("Archstone," which has since changed its name to Jupiter Enterprise LP), the Company, together with Equity Residential, acquired, directly or indirectly, all of Archstone's assets, including all of the ownership interests in joint ventures and other entities owned by Archstone, and assumed Archstone's liabilities, both known and unknown, with certain limited exceptions.

Under the terms of the Purchase Agreement, the Company acquired approximately 40% of Archstone's assets and liabilities and Equity Residential acquired approximately 60% of Archstone's assets and liabilities (the "Archstone Acquisition"). The Company accounted for the acquisition as a business combination and recorded the purchase price to acquired tangible assets consisting primarily of direct and indirect interests in land and related improvements, buildings and improvements, construction in progress and identified intangible assets and liabilities, consisting primarily of the value of above and below market leases, and the value of in-places leases, at their fair values. The following table summarizes the Company's preliminary purchase price allocation:

		Acquisition Date Preliminary Fair Value (dollars in thousands)
Land and land improvements	$	1,760,100
Buildings and improvements		3,729,422
FF&E		52,290
Construction-in-progress, including land and land held for development		404,765
In-place lease intangibles		182,467
Other assets		85,829
Total consolidated assets	$	6,214,873
Interest in unconsolidated real estate entities		256,454
Total assets	$	6,471,327
Fair value of assumed mortgage notes payable		3,732,980
Liability for preferred obligations		66,500
Other liabilities		34,100
Noncontrolling interest		13,262
Net Assets Acquired		2,624,485
Common shares issued		1,875,210
Cash consideration	$	749,275

The allocation of the fair values to the assets acquired and liabilities assumed is subject to further adjustment due primarily to information not readily available at the acquisition date, additional market information and final purchase price settlement with the sellers and Equity Residential in accordance with the terms of the Purchase Agreement. The Company's assessment of the fair values and the allocation of the purchase price to the identified tangible and intangible assets and assumed liabilities is its current best estimate of fair value.

The Company engaged a third party valuation specialist to assist in the determination of the fair value of each of the component parts of the operating communities, consisting of land and land improvements, buildings and improvements, furniture, fixtures and equipment, above and below market leases and in-place lease-related intangibles.

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Land valuation was based on a market approach, whereby recent sales of similar properties were used, adjusted for differences due to location, the state of entitlement as well as the shape and size of the parcel. Improvements to the land were valued using a replacement cost approach and considered the structures and amenities included for the communities. The approach applied industry standard replacement costs adjusted for geographic specific considerations, and reduced by estimated depreciation. The value for furniture, fixtures and equipment was also determined based on a replacement cost approach, adjusted for estimated depreciation. The FF&E value estimate considered both costs for items in the apartment homes, such as appliances and furnishings, and those for common areas such as exercise facilities and on site offices. The estimate of depreciation was made considering industry standard information and depreciation curves for the identified asset classes. The fair value of buildings acquired was estimated using the replacement cost approach, assuming the buildings were vacant at acquisition. The replacement cost approach considered the composition of structures in the acquired portfolio, adjusted for an estimate of depreciation. If the operating community is held in an unconsolidated joint venture, the Company valued its interest in the operating community based on its ownership interest.

The value of the acquired lease-related intangibles considered the estimated cost of leasing the apartment homes as if the acquired buildings were vacant, as well as the value of the current leases relative to market-rate leases. The in-place lease value was determined using an average total lease-up time, the number of apartment homes and net revenues generated during the lease-up time. The lease-up period for an apartment community was assumed to be 12 months to achieve stabilized occupancy. Net revenues were developed using market rent considering actual leasing and industry rental rate data. The value of current leases relative to a market-rate lease was based on market rents obtained for market comparables, and considered a market derived discount rate.

The Company is applying a weighted average depreciation period for the in-place lease intangibles of six months. During the three and six months ended June 30, 2013, the Company recognized $93,726,000 and $124,601,000, respectively, of depreciation expense for in-place lease intangibles, recorded as a component of Depreciation expense on the accompanying Condensed Consolidated Statements of Comprehensive Income.

The Company used an internal model to determine the fair value for the development land parcels acquired. The internal model applied a discounted cash flow analysis on the expected cash flows for each land parcel as if the expected multifamily rental community is constructed. The cash flow analysis incorporated assumptions that market participants would make, including the application of (i) discount factors to the estimated future cash flows of the underlying asset, (ii) a compound annual growth rate for the revenue from the operating community, and (iii) an exit capitalization rate.

The Company valued the Development Communities under construction and/or in lease-up using either the invested capital basis, or an internal model, depending on the stage of construction completion. For Development Communities earlier in the construction process and not yet in lease-up, invested capital was the relevant metric and was considered reflective of the fair value of the community. For Development Communities that either had completed construction or that were substantially complete with construction and in lease-up, the Company used a capitalization rate model. The capitalization rate model considered the pro-forma NOI for the Development Community, relative to NOI for comparable operating communities, with adjustments for the location and/or quality of the community. A capitalization rate was applied to each Development Community's NOI which was based on a relevant capitalization rate observed in comparable acquisition or disposition transactions, if available, as adjusted by the Company for differences in fundamentals between the Development Community and the referenced comparable transactions.

Given the significance of unobservable inputs, the Company has classified the valuations of the real estate assets acquired as Level 3 prices under the fair value hierarchy.

Other assets acquired consisted primarily of working capital determined by the Company to be reflective of the fair value.

During the six months ended June 30, 2013, the Company recognized $77,939,000 in acquisition related expenses associated with the Archstone Acquisition, with $34,552,000 reported as a component of Equity in income (loss) of unconsolidated entities, and the balance in Expensed acquisition, development, and other pursuit costs on the accompanying Condensed Consolidated Statements of Comprehensive Income.

Consideration

Pursuant to the Purchase Agreement and separate arrangements between the Company and Equity Residential governing the allocation of liabilities assumed under the Purchase Agreement, the Company's portion of consideration under the Purchase Agreement, consisted of the following:

- the issuance of 14,889,706 shares of the Company's common stock, valued at $1,875,210,000 as of the market's close on February 27, 2013;
- a cash payment of approximately $749,000,000;
- the assumption of consolidated indebtedness with a fair value of approximately $3,732,979,000, consisting of $3,512,202,000 principal amount of consolidated indebtedness and $220,777,000 representing the amount by which fair value of the aforementioned debt exceeds the principal face value, $70,479,000 of which related to debt the Company repaid concurrent with the Archstone Acquisition;
- the acquisition with Equity Residential of interests in entities that have preferred units outstanding some of which may be presented for redemption from time to time. The Company's 40% share of the fair value of the collective obligation, including accrued dividends on these outstanding Archstone preferred units as of the closing date of the Archstone Acquisition, is approximately $66,500,000; and
- the assumption with Equity Residential of all other liabilities, known or unknown, of Archstone, other than certain excluded liabilities. The Company shares approximately 40% of the responsibility for these liabilities.

The Company valued the assumed mortgage notes payable using a discounted cash flow analysis that incorporated assumptions that market participants would use. This analysis reflects the contractual terms of the instrument, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The process also considered credit valuation adjustments to appropriately reflect the Company's nonperformance risk. The Company has concluded that the value of the assumed mortgage notes payable are Level 2 prices as the majority of the inputs used to value its positions fall within Level 2 of the fair value hierarchy.

The Company valued its obligation under the preferred units outstanding based on the current liquidation price of the respective preferred unit series, including accrued but unpaid dividends as appropriate. During the three months ended June 30, 2013, the Company paid approximately $32,100,000 to redeem its proportionate share of a portion of the preferred interest obligations assumed in conjunction with the Archstone Acquisition. The Company used the pricing for the settlement as the fair value at February 27, 2013.

The following table presents information for Archstone that is included in our Condensed Consolidated Statement of Comprehensive Income from the acquisition date, February 27, 2013, through June 30, 2013 (in thousands).

	For the period including February 28, 2013 through June 30, 2013
Revenues	$ 140,196
Loss attributable to common shareholders (1)	$ (91,137)

(1) Amounts exclude acquisition costs for the Archstone Acquisition.

The following table presents the Company's supplemental consolidated pro forma information as if the acquisition had occurred on January 1, 2012 (in thousands, except per share amounts):

	For the six months ended June 30, 2013		For the six months ended June 30, 2012	
Revenues	$	771,547	$	695,464
Income (loss) from continuing operations		198,262		(24,486)
Earnings (loss) per common share - diluted (from continuing operations)	$	1.53	$	(0.19)

The unaudited proforma consolidated results are prepared for informational purposes only, and are based on assumptions and estimates considered appropriate by the Company's management. However, they are not necessarily indicative of what the Company's consolidated financial condition or results of operations actually would have been assuming the Archstone Acquisition had occurred on January 1, 2012, nor do they purport to represent the consolidated financial position or results of operations for future periods.

Investments in Archstone Consolidated Entities

In connection with the Archstone Acquisition, the Company entered into a limited liability company agreement with Equity Residential to acquire and own directly and indirectly certain Archstone entities (the "Archstone Legacy Entities") which hold indirect interests in real estate assets, including 16 of the 60 of the consolidated communities acquired by the Company. As of June 30, 2013, the Archstone Legacy Entities have outstanding preferred interests held by unrelated third parties with an aggregate liquidation preference of approximately $90,000,000 (including accrued but unpaid distributions), which are generally subject to redemption at the election of the holders of such interests. One of the Archstone Legacy Entities previously entered into tax protection arrangements with the holders of certain of the preferred interests, which arrangements may limit for varying periods of time the Company's and Equity Residential's ability to dispose of the properties held indirectly by the Archstone Legacy Entities or to refinance certain related indebtedness, without making payments to the holders of such preferred interests. Pursuant to this LLC agreement, the Company has agreed to bear 40% of the economic cost of these preferred redemption obligations, and the tax protection payments that may arise from our disposition or refinancing of properties of the Archstone Legacy Entities that were contributed to a subsidiary that will be consolidated by the Company. The fair value of the Company's proportionate share of preferred redemption obligations of approximately $36,000,000 is recorded as a component of Accrued expenses and other liabilities on the accompanying Condensed Consolidated Balance Sheets. As part of the Archstone Acquisition, the Company and Equity Residential have agreed with Lehman and Archstone to require the acquired Archstone Legacy Entities to have sufficient funds available to honor their redemption obligations and to make any payments under its tax protection arrangements, when they may become due. The principal assets indirectly held by the limited liability company that acquired the Archstone Legacy Entities are interests in a subsidiary of the Company's (the "AvalonBay Legacy Subsidiary") and a subsidiary of Equity Residential, each of which subsidiaries acquired certain properties formerly owned by the Archstone Legacy Entities. The Company consolidates the assets, liabilities and results of operations of the AvalonBay Legacy Subsidiary.

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Investments in Archstone Unconsolidated Entities

In conjunction with the Archstone Acquisition, the Company acquired interests in the following entities:

· *Archstone Multifamily Partners AC LP (the "Archstone U.S. Fund")* — The Archstone U.S. Fund was formed in July 2011 and is fully invested. As of June 30, 2013, the Archstone U.S. Fund owns nine communities containing 1,728 apartment communities, one of which includes a marina containing 229 boat slips. Through subsidiaries the Company owns the general partner of the fund and holds a 28.6% interest in the fund.

  Subsidiaries of the Archstone U.S. Fund have eight loans secured by individual assets with amounts outstanding in the aggregate of $330,516,000 with varying maturity dates, ranging from 2019 to 2022. The mortgage loans are payable by the subsidiaries of the Archstone U.S. Fund with operating cash flow or disposition proceeds from the underlying real estate. The Company has not guaranteed the debt of the Archstone U.S. Fund, nor does it have any obligation to fund this debt should the Archstone U.S. Fund be unable to do so.

· *Archstone Multifamily Partners AC JV LP* ("*the AC JV*") — The AC JV is a joint venture in which the Company assumed Archstone's 20% ownership interest. The AC JV was formed in 2011 and as of June 30, 2013 owned two apartment communities containing 818 apartment homes in Cambridge, MA and Herndon, VA. The AC JV partnership agreement contains provisions that require the Company to provide a right of first offer ("ROFO") to the AC JV in connection with additional opportunities to acquire or develop additional interests in multifamily real estate assets within a specified geographic radius of the two existing assets, generally one mile or less. The Company owns two land parcels for the development of 444 apartment homes, classified as Development Rights in Cambridge, MA, acquired as part of the Archstone Acquisition that are subject to ROFO restrictions. The ROFO restrictions expire in 2019.

  As of June 30, 2013, subsidiaries of the AC JV have eight unsecured loans outstanding in the aggregate of $162,300,000 which mature in July 2021, and which were made by the investors in the venture, including us, in proportion to the investors' respective equity ownership interest. The unsecured loans are payable by the subsidiaries of the AC JV with operating cash flow from the venture. The Company has not guaranteed the debt of the AC JV, nor does it have any obligation to fund this debt should the AC JV be unable to do so.

· *Brandywine Apartments of Maryland, LLC ("Brandywine")* — Brandywine owns a 305 apartment home community located in Washington, DC. The community is managed by a third party. Brandywine is comprised of five members who hold various interests in the joint venture. In conjunction with the Archstone Acquisition, the Company assumed a 26.1% equity interest in the venture, and subsequently purchased an additional 2.6% interest such that as of June 30, 2013, the Company now holds a 28.7% equity interest in the venture.

  Brandywine has an outstanding $25,000,000 fixed rate mortgage loan that is payable by the venture. The Company has not guaranteed the debt of Brandywine, nor does the Company have any obligation to fund this debt should Brandywine be unable to do so.

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· Additionally, through subsidiaries the Company and Equity Residential entered into three limited liability company agreements (collectively, the "Residual JV") through which the Company and Equity Residential acquired (i) certain assets of Archstone that the Company and Equity Residential plan to divest (to third parties or to the Company or Equity Residential) over time (the "Residual Assets"), and (ii) various liabilities of Archstone that the Company and Equity Residential agreed to assume in conjunction with the Archstone Acquisition (the "Residual Liabilities"). The Residual Assets include interests in apartment communities in Germany (including through a fund which Archstone managed), a 20.0% interest in a joint venture which owns and manages six apartment communities with 1,902 apartment homes in the United States, two land parcels, and various licenses, insurance policies, contracts, office leases and other miscellaneous assets. The Residual Liabilities generally include most existing or future litigation and claims related to Archstone's operations for periods before the close of the Archstone Acquisition, except for (i) claims that principally relate to the physical condition of the assets acquired directly by the Company or Equity Residential, which generally remain the sole responsibility of the Company or Equity Residential, as applicable, and (ii) certain tax and other litigation between Archstone and various equity holders in Archstone related to periods before the close of the Archstone Acquisition, and claims which may arise due to changes in the capital structure of Archstone that occurred prior to closing, for which Lehman has agreed to indemnify the Company and Equity Residential. The Company and Equity Residential jointly control the Residual JV and the Company holds a 40% economic interest in the assets and liabilities of the Residual JV.

6. Investments in Real Estate Entities

Investment in unconsolidated entities

As of June 30, 2013, including the interests in joint ventures acquired in the Archstone Acquisition, and excluding interest in the Residual JV, the Company had investments in seven unconsolidated real estate entities with ownership interest percentages ranging from 15.2% to 31.3%. The Company accounts for its investments in unconsolidated real estate entities under the equity method of accounting. The significant accounting policies of the Company's unconsolidated real estate entities are consistent with those of the Company in all material respects.

During the three months ended June 30, 2013, AvalonBay Value Added Fund, LP ("Fund I") sold Avalon at Civic Center, located in Norwalk, CA. Avalon at Civic Center, containing 192 homes, was sold for $45,844,000. The Company's share of the gain in accordance with GAAP for the disposition was $1,472,000.

The following is a combined summary of the financial position of the entities accounted for using the equity method, excluding those owned by the Residual JV, as of the dates presented (dollars in thousands):

	6-30-13 (unaudited)	12-31-12 (unaudited)
Assets:		
Real estate, net	$ 2,067,969	$ 1,337,084
Other assets	168,822	73,252
Total assets	$ 2,236,791	$ 1,410,336
Liabilities and partners' capital:		
Mortgage notes payable and credit facility	$ 1,372,106	$ 943,259
Other liabilities	40,860	20,405
Partners' capital	823,825	446,672
Total liabilities and partners' capital	$ 2,236,791	$ 1,410,336

The following is a combined summary of the operating results of the entities accounted for using the equity method, excluding those owned by the Residual JV, for the periods presented (dollars in thousands):

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	For the three months ended (unaudited)		For the six months ended (unaudited)	
	6-30-13	6-30-12	6-30-13	6-30-12
Rental and other income	$ 57,452	$ 44,505	$ 101,216	$ 87,132
Operating and other expenses	(22,986)	(19,131)	(40,680)	(37,800)
Gain on sale of communities	11,216	3,825	65,267	12,735
Interest expense, net	(15,829)	(12,659)	(31,098)	(25,726)
Depreciation expense	(17,783)	(12,597)	(30,933)	(25,297)
Net income (loss)	$ 12,070	$ 3,943	$ 63,772	$ 11,044

In conjunction with the formation of Fund I and AvalonBay Value Added Fund II, L.P. ("Fund II"), the Company incurred costs in excess of its equity in the underlying net assets of the respective investments. These costs represent $6,430,000 at June 30, 2013 and $7,342,000 at December 31, 2012 of the respective investment balances.

As part of the formation of Fund I and Fund II, the Company provided separate and distinct guarantees to one of the limited partners in each of the ventures. These guarantees are specific to the respective fund and any impacts or obligation of the Company to perform under one of the guarantees has no impact on the Company's obligations with respect to the other guarantee. The guarantees provide that, if, upon final liquidation of Fund I or Fund II, the total amount of all distributions to the guaranteed partner during the life of the respective fund (whether from operating cash flow or property sales) does not equal the total capital contributions made by that partner, then the Company will pay the guaranteed partner an amount equal to the shortfall, but in no event more than 10% of the total capital contributions made by the guaranteed partner (maximum of approximately $7,500,000 for Fund I and approximately $8,910,000 for Fund II as of June 30, 2013). As of June 30, 2013, the expected realizable values of the real estate assets owned by Fund I and Fund II are considered adequate to cover such potential payments under a liquidation scenario. The estimated fair value of, and the Company's obligation under these guarantees, both at inception and as of June 30, 2013, was not significant and therefore the Company has not recorded any obligation for either of these guarantees as of June 30, 2013.

Abandoned Pursuit Costs and Impairment of Long-Lived Assets

The Company capitalizes pre-development costs incurred in pursuit of new development opportunities for which the Company currently believes future development is probable ("Development Rights"). Future development of these Development Rights is dependent upon various factors, including zoning and regulatory approval, rental market conditions, construction costs and the availability of capital. Initial pre-development costs incurred for pursuits for which future development is not yet considered probable are expensed as incurred. In addition, if the status of a Development Right changes, making future development by the Company no longer probable, any capitalized pre-development costs are written off with a charge to expense. The Company expensed costs related to abandoned pursuits, which includes the abandonment of Development Rights as well as costs incurred in pursuing the acquisition or disposition of assets for which such transactional activity did not occur, in the amounts of $195,000 and $820,000 for the three months ended June 30, 2013 and 2012, respectively, and $440,000 and $968,000 for the six months ended June 30, 2013 and 2012, respectively. These costs are included in Expensed acquisition, development, and other pursuit costs on the accompanying Condensed Consolidated Statements of Comprehensive Income. Abandoned pursuit costs can vary greatly, and the costs incurred in any given period may be significantly different in future periods.

The Company evaluates its real estate and other long-lived assets for impairment when potential indicators of impairment exist. Such assets are stated at cost, less accumulated depreciation and amortization, unless the carrying amount of the asset is not recoverable. If events or circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the Company assesses its recoverability by comparing the carrying amount of the long-lived asset to its estimated undiscounted future cash flows. If the carrying amount exceeds the aggregate undiscounted future cash flows, the Company recognizes an impairment loss to the extent the carrying amount exceeds the estimated fair value of the long-lived asset. Based on periodic tests of recoverability of long-lived assets, the Company did not record any impairment losses for the three and six months ended June 30, 2013 and 2012.

The Company assesses its portfolio of land held for both development and investment for impairment if the intent of the Company changes with respect to either the development of, or the expected holding period for, the land. The Company did not recognize any impairment charges on its investment in land for the three and six months ended June 30, 2013 and 2012.

The Company also evaluates its unconsolidated investments for impairment, considering both the carrying value of the investment, estimated as the expected proceeds that it would receive if the entity were dissolved and the net assets were liquidated at their current GAAP basis, as well as the Company's proportionate share of any impairment of assets held by unconsolidated investments. There were no impairment losses recognized by any of the Company's investments in unconsolidated entities during the three and six months ended June 30, 2013 and 2012.

7. Real Estate Disposition Activities

During the three months ended June 30, 2013, the Company sold Avalon at Dublin Station I, located in Dublin, CA containing a total of 305 apartment homes, for $105,400,000. The disposition resulted in a gain in accordance with GAAP of $33,682,000.

As of June 30, 2013, the Company did not have any real estate assets that qualified as held for sale.

The operations for any real estate assets sold from January 1, 2012 through June 30, 2013 have been presented as income from discontinued operations in the accompanying Condensed Consolidated Statements of Comprehensive Income. Accordingly, certain reclassifications have been made to prior years to reflect discontinued operations consistent with current year presentation.

The following is a summary of income from discontinued operations for the periods presented (dollars in thousands):

	For the three months ended (unaudited)		For the six months ended (unaudited)	
	6-30-13	6-30-12	6-30-13	6-30-12
Rental income	$ 897	$ 9,425	$ 5,890	$ 19,537
Operating and other expenses	(314)	(3,088)	(1,621)	(6,314)
Interest expense, net	—	(55)	—	(138)
Loss on extinguishment of debt	—	(602)	—	(602)
Depreciation expense	(220)	(1,795)	(875)	(4,194)
Income from discontinued operations	$ 363	$ 3,885	$ 3,394	$ 8,289

8. Segment Reporting

The Company's reportable operating segments include Established Communities, Other Stabilized Communities, and Development/Redevelopment Communities. Annually as of January 1st, the Company determines which of its communities fall into each of these categories and unless disposition or redevelopment plans regarding a community change, maintains that classification throughout the year for the purpose of reporting segment operations.

In addition, the Company owns land for future development and has other corporate assets that are not allocated to an operating segment.

The Company's segment disclosures present the measure(s) used by the chief operating decision maker for purposes of assessing each segments' performance. The Company's chief operating decision maker is comprised of several members of its executive management team who use net operating income ("NOI") as the primary financial measure for Established Communities and Other Stabilized Communities. NOI is defined by the Company as total revenue less direct property operating expenses. Although the Company considers NOI a useful measure of a community's or communities' operating performance, NOI should not be considered an alternative to net income or net cash flow from operating activities, as determined in accordance with GAAP. NOI excludes a number of income and expense categories as detailed in the reconciliation of NOI to net income.

A reconciliation of NOI to net income for the three and six months ended June 30, 2013 and 2012 is as follows (dollars in thousands):

	For the three months ended		For the six months ended	
	6-30-13	6-30-12	6-30-13	6-30-12
Net income	$ 36,097	$ 156,821	$ 111,570	$ 214,430
Indirect operating expenses, net of corporate income	10,890	8,617	19,932	16,653
Investments and investment management expense	1,096	1,499	2,110	2,945
Expensed acquisition, development and other pursuit costs	3,768	901	43,827	1,141
Interest expense, net	43,169	33,191	81,342	66,814
Loss on extinguishment of debt, net	—	—	—	1,179
General and administrative expense	11,345	8,316	21,384	18,026

Equity in (income) loss of unconsolidated entities	940	(2,073)	19,503	(4,248)
Depreciation expense	196,106	63,224	305,280	124,137
Gain on sale of real estate assets	(33,922)	(95,329)	(118,413)	(95,329)
Income from discontinued operations	(363)	(3,885)	(3,394)	(8,289)
Net operating income	$ 269,126	$ 171,282	$ 483,141	$ 337,459

The primary performance measure for communities under development or redevelopment depends on the stage of completion. While under development, management monitors actual construction costs against budgeted costs as well as lease-up pace and rent levels compared to budget.

The following table provides details of the Company's segment information as of the dates specified (dollars in thousands). The segments are classified based on the individual community's status as of the beginning of the given calendar year. Therefore, each year the composition of communities within each business segment is adjusted. Accordingly, the amounts between years are not directly comparable. Segment information for the three and six months ended June 30, 2013 and 2012 have been adjusted for the real estate assets that were sold from January 1, 2012 through June 30, 2013, or otherwise qualify as discontinued operations as of June 30, 2013, as described in Note 7, "Real Estate Disposition Activities."

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	For the three months ended			For the six months ended			
	Total revenue	NOI	% NOI change from prior year	Total revenue	NOI	% NOI change from prior year	Gross real estate (1)
For the period ended June 30, 2013							
Established							
New England	$ 45,555	$ 30,320	4.9%	$ 90,209	$ 58,897	3.3%	$ 1,391,807
Metro NY/NJ	62,549	43,449	5.1%	123,794	85,888	5.3%	1,917,740
Mid-Atlantic	25,312	18,330	2.8%	50,346	36,518	2.2%	631,578
Pacific Northwest	11,603	7,937	10.5%	22,979	15,787	10.5%	443,641
Northern California	37,476	28,218	12.4%	74,078	55,722	12.0%	1,313,242
Southern California	29,542	20,375	6.9%	58,872	40,475	6.2%	1,055,368
Total Established	212,037	148,629	6.6%	420,278	293,287	6.1%	6,753,376
Other Stabilized	147,704	102,161	N/A	226,802	157,166	N/A	7,045,024
Development / Redevelopment	26,580	18,336	N/A	47,335	32,688	N/A	2,183,928
Land Held for Future Development	N/A	N/A	N/A	N/A	N/A	N/A	409,930
Non-allocated (2)	2,913	N/A	N/A	5,185	N/A	N/A	50,120
Total	$ 389,234	$ 269,126	57.1%	$ 699,600	$ 483,141	43.2%	$ 16,442,378
For the period ended June 30, 2012							
Established							
New England	$ 41,736	$ 27,263	5.7%	$ 82,812	$ 53,894	7.2%	$ 1,285,318
Metro NY/NJ	58,169	40,637	6.3%	115,388	80,229	8.0%	1,962,950
Mid-Atlantic	25,829	18,722	2.4%	51,525	37,538	4.4%	591,284
Pacific Northwest	8,119	5,651	9.5%	16,024	11,223	10.7%	303,343
Northern California	30,191	22,051	13.0%	59,645	43,715	14.2%	1,095,715
Southern California	24,508	17,023	8.5%	48,869	34,002	10.2%	946,376
Total Established	188,552	131,347	7.1%	374,263	260,601	8.7%	6,184,986
Other Stabilized	31,561	20,042	N/A	61,813	39,538	N/A	1,140,536
Development / Redevelopment	29,562	19,893	N/A	55,425	37,320	N/A	1,656,545
Land Held for Future Development	N/A	N/A	N/A	N/A	N/A	N/A	294,116
Non-allocated (2)	2,770	N/A	N/A	5,319	N/A	N/A	59,043
Total	$ 252,445	$ 171,282	10.8%	$ 496,820	$ 337,459	13.0%	$ 9,335,226

(1) Does not include gross real estate assets held for sale of $0 and $218,377 as of June 30, 2013 and 2012, respectively.

(2) Revenue represents third party management, asset management and developer fees and miscellaneous income which are not allocated to a reportable segment.

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9. Stock-Based Compensation Plans

Information with respect to stock options granted under the Company's 1994 Stock Option and Incentive Plan (the "1994 Plan") and its 2009 Stock Option and Incentive Plan (the "2009 Plan") are as follows (dollars in thousands, other than per share amounts):

	2009 Plan shares	Weighted average exercise price per share	1994 Plan shares	Weighted average exercise price per share
Options Outstanding, December 31, 2012	307,554	$ 112.67	719,830	$ 105.40
Exercised	(6,951)	96.72	(23,167)	80.91
Granted	215,230	129.03	—	—
Forfeited	(1,061)	131.29	(4,012)	127.56
Options Outstanding, June 30, 2013	514,772	$ 119.69	692,651	$ 106.09
Options Exercisable June 30, 2012	195,034	$ 104.99	692,651	$ 106.09

The weighted average fair value of the options granted under the 2009 Plan during the six months ended June 30, 2013 is estimated at $26.78 per share on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: dividend yield of 3.7% over the expected life of the option, volatility of 34.0%, risk-free interest rate of 0.9% and an expected life of approximately 5 years.

During 2013, the Company adopted a revised compensation framework under which share-based compensation will be granted, composed of annual awards and multiyear long term incentive performance awards. Annual awards will include restricted stock awards for which one third of the award will vest annually over a three year period following the measurement period. Under the multiyear long term incentive component of the revised framework, the Company will grant a target number of restricted stock units, with the ultimate award determined by the total shareholder return of the Company's common stock over a three-year measurement period. The share-based compensation earned will be in the form of restricted stock, or upon election of the recipient up to 25% in the form of stock options, for which one third of the award will vest annually over a three year period following the measurement period.

During the six months ended June 30, 2013, the Company issued 123,977 shares of restricted stock as well as awards for restricted stock units, with an estimated aggregate compensation cost of $36,996,000. The grant of restricted stock units includes an award which matures at the end of 2015 as well as two transitional awards that mature at the end of 2013 and 2014. The restricted stock units were valued using a Monte Carlo model with the following weighted average assumptions: baseline share value of $130.23, a dividend yield of 2.8%, estimated volatility figures over the life of the plan using 50% historical volatility and 50% implied volatility and risk free rates over the life of the plan ranging from 0.08% to 0.37%, resulting in an average estimated fair value per restricted stock unit of $110.00.

At June 30, 2013, the Company had 192,212 outstanding unvested shares granted under restricted stock awards. Restricted stock vesting during the six months ended June 30, 2013 totaled 132,790 shares and had fair values at the grant date ranging from $48.60 to $149.05 per share. The total grant date fair value of shares vested was $13,685,000 and $36,162,000 for the six months ended June 30, 2013 and 2012, respectively.

Total employee stock-based compensation cost recognized in income was $11,793,000 and $6,106,000 for the six months ended June 30, 2013 and 2012, respectively, and total capitalized stock-based compensation cost was $3,922,000 and $2,603,000 for the six months ended June 30, 2013 and 2012, respectively. At June 30, 2013, there was a total of $4,729,000 and $11,664,000 in unrecognized compensation cost for unvested stock options and unvested restricted stock, respectively, which does not include estimated forfeitures. The unrecognized compensation cost for unvested stock options and restricted stock is expected to be recognized over a weighted average period of 2.24 years and 2.85 years, respectively.

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10. Related Party Arrangements

Unconsolidated Entities

The Company manages unconsolidated real estate entities for which it receives asset management, property management, development and redevelopment fee revenue. From these entities, the Company earned fees of $2,913,000 and $2,770,000 in the three months ended June 30, 2013 and 2012, respectively, and $5,185,000 and $5,319,000 for the six months ended June 30, 2013 and 2012, respectively. These fees are included in management, development and other fees on the accompanying Condensed Consolidated Statements of Comprehensive Income. In addition, the Company has outstanding receivables associated with its management role of $10,983,000 and $3,484,000 as of June 30, 2013 and December 31, 2012, respectively.

Director Compensation

The Company recorded non-employee director compensation expense relating to restricted stock grants and deferred stock awards in the amount of $493,000 and $429,000 for the six months ended June 30, 2013 and 2012, respectively, as a component of general and administrative expense. Deferred compensation relating to restricted stock grants and deferred stock awards to non-employee directors was $916,000 and $364,000 on June 30, 2013 and December 31, 2012, respectively.

11. Fair Value

Financial Instruments Carried at Fair Value

Derivative Financial Instruments

Currently, the Company uses interest rate cap agreements to manage its interest rate risk. These instruments are carried at fair value in the Company's financial statements. In adjusting the fair value of its derivative contracts for the effect of counterparty nonperformance risk, the Company has considered the impact of its net position with a given counterparty, as well as any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees. The Company minimizes its credit risk on these transactions by dealing with major, creditworthy financial institutions which have an A or better credit rating by the Standard & Poor's Ratings Group. As part of its on-going control procedures, the Company monitors the credit ratings of counterparties and the exposure of the Company to any single entity, thus minimizing credit risk concentration. The Company believes the likelihood of realizing losses from counterparty non-performance is remote. Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives use Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by itself and its counterparties. As of June 30, 2013, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined it is not significant. As a result, the Company has determined that its derivative valuations are classified in Level 2 of the fair value hierarchy.

Hedge ineffectiveness did not have a material impact on earnings of the Company for any prior period, and the Company does not anticipate that it will have a material effect in the future.

The following table summarizes the consolidated Hedging Derivatives at June 30, 2013, excluding derivatives executed to hedge debt on communities classified as held for sale (dollars in thousands):

	Non-designated Hedges	Cash Flow Hedges
	Interest Rate Caps	Interest Rate Caps
Notional balance	$ 612,851	$ 179,497
Weighted average interest rate (1)	1.7%	2.4%
Weighted average capped interest rate	5.9%	5.3%
Earliest maturity date	Aug-13	Jul-13
Latest maturity date	Sep-17	Jun-15

(1) For interest rate caps, this represents the weighted average interest rate on the debt.

Excluding derivatives executed to hedge secured debt on communities classified as held for sale, the Company had four derivatives designated as cash flow hedges and 14 derivatives not designated as hedges at June 30, 2013. Fair value changes for derivatives not in qualifying hedge relationships for the three and six months ended June 30, 2013, resulted in unrealized gains of $1,069,000 and $2,484,000, respectively, included in interest expense, net in the Condensed Consolidated Statement of Comprehensive Income. Fair value changes for derivatives not in qualifying hedge relationships for the three and six months ended June 30, 2012 were not material. To adjust the Hedging Derivatives in qualifying cash flow hedges to their fair value and recognize the impact of hedge accounting, the Company recorded a decrease in other comprehensive income of $16,789,000 during the six months ended June 30, 2012. The Company reclassified $1,574,000 and $2,965,000 of deferred losses from accumulated other comprehensive income into earnings as a component of the interest expense, net for the three and six months ended June 30, 2013. The Company anticipates reclassifying approximately $5,493,000 of hedging losses from accumulated other comprehensive income into earnings within the next 12 months to offset the variability of cash flows of the hedged item during this period. The Company did not have any derivatives designated as fair value hedges as of June 30, 2013 or 2012.

The Company was also party to a $215,000,000 forward interest rate protection agreement, which was entered into in 2011 to reduce the impact of variability in interest rates on a portion of our expected debt issuance activity in 2013. Based on changes in the Company's capital markets outlook for the year, and current liquidity position, it is now uncertain as to whether the Company will issue the anticipated debt for which this interest rate protection agreement was transacted. The Company settled this position at its maturity in May 2013 with a payment to the counterparty of $51,000,000, the fair value at the time of settlement. As of June 30, 2013, the Company has recorded deferred loss in accumulated other comprehensive income of $53,484,000 for the forward interest swap agreement with the timing for recognition in earnings dependent on the Company's capital markets activity for the balance of 2013. If the Company does issue the debt as anticipated, then the amounts recorded within accumulated other comprehensive income will be recognized as interest expense over the term of the debt.

Redeemable Noncontrolling Interests

The Company provided redemption options (the "Puts") that allow joint venture partners of the Company to require the Company to purchase their interests in the investment at a guaranteed minimum amount related to three ventures, two of which were acquired as part of the Archstone Acquisition. The Puts are payable in cash. The Company determines the fair value of the Puts based on unobservable inputs considering the assumptions that market participants would make in pricing the obligations, applying a guaranteed rate of return to the joint venture partners' net capital contribution balances as of period end. Given the significance of the unobservable inputs, the valuations are classified in Level 3 of the fair value hierarchy.

The Company issued units of limited partnership interest in DownREITs which provide the DownREIT limited partners the ability to present all or some of their units for redemption for cash as determined by the partnership agreement. Under the DownREIT agreement, for each limited partnership unit, the limited partner is entitled to receive cash in the amount equal to the fair value of the Company's common stock on or about the date of redemption. In lieu of cash redemption, the Company may elect to exchange such units for an equal number of shares in the Company's common stock. The limited partnership units in the DownREIT are valued using the market price of the Company's common stock, a Level 1 price under the fair value hierarchy.

Financial Instruments Not Carried at Fair Value

Cash and Cash Equivalents

Cash and cash equivalent balances are held with various financial institutions within principal protected accounts. The Company monitors credit ratings of these financial institutions and the concentration of cash and cash equivalent balances with any one financial institution and believes the likelihood of realizing material losses related to cash and cash equivalent balances is remote. Cash and cash equivalents are carried at their face amounts, which reasonably approximate their fair values.

Other Financial Instruments

Rents receivable, accounts and construction payable and accrued expenses and other liabilities are carried at their face amounts, which reasonably approximate their fair values.

The Company values its unsecured notes using quoted market prices, a Level 1 price within the fair value hierarchy. The Company values its notes payable and outstanding amounts under the Credit Facility using a discounted cash flow analysis on the expected cash flows of each instrument. This analysis reflects the contractual terms of the instrument, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The process also considers credit valuation adjustments to appropriately reflect the Company's nonperformance risk. The Company has concluded that the value of its notes payable and amounts outstanding under its credit facility are Level 2 prices as the majority of the inputs used to value its positions fall within Level 2 of the fair value hierarchy.

Financial Instruments Measured/Disclosed at Fair Value on a Recurring Basis

The following table summarizes the classification between the three levels of the fair value hierarchy of the Company's financial instruments measured/disclosed at fair value on a recurring basis (dollars in thousands):

Description	Total Fair Value 6/30/2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest Rate Caps	$ 48	$ —	$ 48	$ —
Puts	(18,067)	—	—	(18,067)
DownREIT units	(1,012)	(1,012)	—	—
Indebtedness	(5,868,176)	(1,920,035)	(3,948,141)	—
Total	$ (5,887,207)	$ (1,921,047)	$ (3,948,093)	$ (18,067)

12. Subsequent Events

The Company has evaluated subsequent events through the date on which this Form 10-Q was filed, the date on which these financial statements were issued.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help provide an understanding of our business and results of operations. This MD&A should be read in conjunction with our Condensed Consolidated Financial Statements and the accompanying Notes to Condensed Consolidated Financial Statements included elsewhere in this report. This report, including the following MD&A, contains forward-looking statements regarding future events or trends as described more fully under "Forward-Looking Statements" included in this report. Actual results or developments could differ materially from those projected in such statements as a result of the factors described under "Forward-Looking Statements" below and the risk factors described in Item 1a, "Risk Factors," of our Form 10-K for the year ended December 31, 2012 (the "Form 10-K").

All capitalized terms have the meaning as provided elsewhere in this Form 10-Q.

Executive Overview

Business Description

We are primarily engaged in developing, acquiring, owning and operating apartment communities in high barrier to entry markets of the United States. We believe that apartment communities are an attractive long-term investment opportunity compared to other real estate investments because a broad potential resident base should help reduce demand volatility over a real estate cycle. We seek to create long-term shareholder value by accessing capital at cost effective terms; deploying that capital to develop, redevelop and acquire apartment communities in high barrier to entry markets; operating apartment communities; and selling communities when they no longer meet our long-term investment strategy or when pricing is attractive. Barriers to entry in our markets generally include a difficult and lengthy entitlement process with local jurisdictions and dense urban or suburban areas where zoned and entitled land is in limited supply.

Our strategy is to be leaders in market research and capital allocation, delivering a range of multifamily offerings tailored to serve the needs of the most attractive customer segments in the best-performing submarkets of the United States. Our communities are predominately upscale, which generally command among the highest rents in their markets. However, we also pursue the ownership and operation of apartment communities that target a variety of customer segments and price points, consistent with our goal of offering a broad range of products and services.

We regularly evaluate the allocation of our investments by the amount of invested capital and by product type within our individual markets, which are primarily located in New England, the New York/New Jersey metro area, the Mid-Atlantic, the Pacific Northwest, and the Northern and Southern California regions of the United States.

Second Quarter 2013 Highlights

While the Company experienced a decline in net income due to Archstone Acquisition related expenses, we experienced strong operating performance in the second quarter of 2013.

· Net income attributable to common stockholders for the quarter ended June 30, 2013 was $36,218,000, a decrease of $120,691,000 or 76.9% from the prior year period. The decrease is attributable primarily to an increase in depreciation expense and transaction costs from the Archstone Acquisition, as well as decreased gains from dispositions of real estate assets in 2013 as compared to the prior year period. The decrease is partially offset by an increase in NOI in our communities.

· For the quarter ended June 30, 2013, Established Communities NOI increased by $9,180,000 or 6.6% over the prior year period. This year-over-year increase was driven by an increase in rental revenue of 5.2% offset by an increase in operating expenses of 2.0% as compared to the prior year period.

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Our portfolio results for the quarter ended June 30, 2013 include operations from the communities acquired as part of the Archstone Acquisition, and reflect year-over-year revenue growth, as well as continued sequential rental revenue growth. The overall increase in revenues was driven by our portfolio growth, leasing activity for new development, and an increase in rental rates and occupancy for our Established Communities. We expect year-over-year revenue growth to continue for the balance of 2013, supported by the newly acquired Archstone communities as well as our Established Communities. We believe continued favorable apartment fundamentals, and a capital markets environment that provides cost effective capital, support our additional expanded investment activity as further discussed below.

During the quarter ended June 30, 2013, we completed the construction of three communities with an aggregate of 584 apartment homes for a total capitalized cost of $134,400,000. Also, we started construction of three communities containing 719 apartment homes with an expected aggregate total capitalized cost of $151,500,000. At June 30, 2013, 27 communities were under construction with a total projected capitalized cost of approximately $2,213,900,000. As of June 30, 2013, approximately $1,177,680,000 of the capital for this development was invested, with $1,036,220,000 remaining to invest.

During the three months ended June 30, 2013, we started the redevelopment of AVA Pasadena located in Pasadena, CA. AVA Pasadena contains 84 apartment homes and is expected to be redeveloped for a total capitalized cost of $5,600,000, excluding costs incurred prior to redevelopment. At June 30, 2013, there were six communities under redevelopment, with an expected investment of approximately $60,900,000, excluding costs incurred prior to the start of redevelopment, with $35,299,000 remaining to be invested**.**

At present, cash on hand and available capital from our Credit Facility are sufficient to provide the capital necessary to fund our committed development and redevelopment activities as of June 30, 2013. We believe that our balance sheet, as measured by our current level of indebtedness, our current ability to service interest and other fixed charges and our current moderate use of financial encumbrances (such as secured financing), provide adequate access to liquidity from the capital markets through the issuance of corporate securities (which could include unsecured debt and/or common and preferred equity) and secured debt, as well as from other sources of liquidity such as from joint ventures or from our retained cash, to meet our reasonably foreseeable liquidity needs as they arise. See the discussion under *Liquidity and Capital Resources.*

We established Fund I and Fund II (collectively "the Funds") to engage in real estate acquisition programs through discretionary investment funds. We believe this investment format provides the following attributes: (i) third-party joint venture equity as an additional source of financing to expand and diversify our portfolio; (ii) additional sources of income in the form of property management and asset management fees and, potentially, incentive distributions if the performance of the Funds exceeds certain thresholds; and (iii) additional visibility into the transactions occurring in multi-family assets that helps us with other investment decisions related to our wholly-owned portfolio.

Fund I has nine institutional investors, including us. One of our wholly owned subsidiaries is the general partner of Fund I and excluding costs incurred in excess of our equity in the underlying net assets of Fund I, we have made an equity investment of approximately $12,788,000 in Fund I (net of distributions and excluding the purchase by us of a mortgage note secured by a Fund I community), representing a 15.2% combined general partner and limited partner equity interest. Fund I was our principal vehicle for acquiring apartment communities from its formation in March 2005 through the close of its investment period in March 2008. Fund I has a term that expired in March 2013, plus two one-year extension options. We have executed the first one-year extension.

Fund II has six institutional investors, including us. One of our wholly owned subsidiaries is the general partner of Fund II and, excluding costs incurred in excess of our equity in the underlying net assets of Fund II, we have made an equity investment of $99,813,000 (net of distributions), representing a 31.3% combined general partner and limited partner equity interest. Fund II served as the exclusive vehicle through which we acquired investment interests in apartment communities from its formation in 2008 through the close of its investment period in August 2011.

During the quarter ended June 30, 2013, Fund I sold Avalon at Civic Center located in Norwalk, CA, containing 192 apartment homes for $45,844,000. Our proportionate share of the gain in accordance with GAAP for the disposition by Fund I was $1,472,000.

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In connection with the Archstone Acquisition, we assumed Archstone's position in the Archstone U.S. Fund as the General Partner, a Limited Partner through which we hold a 28.6% equity interest, and a Class A partner, through which we hold a promote interest. The Archstone U.S. Fund was formed in July 2011 as a discretionary real estate investment vehicle and is fully invested. The Archstone U.S. Fund has a term expiring in 2021, subject to two, one-year extensions if necessary for the orderly dissolution of the Archstone U.S. Fund. The Archstone U.S. Fund will not impact the Company's development activities or investments acquired in operating communities acquired from unrelated third parties.

We also acquired interests in other joint venture entities as part of the Archstone Acquisition as described elsewhere in this report.

Communities Overview

Our real estate investments consist primarily of current operating apartment communities, communities in various stages of development ("Development Communities") and Development Rights as defined below. Our current operating communities are further distinguished as Established Communities, Other Stabilized Communities, Lease-Up Communities and Redevelopment Communities. While we establish the classification of communities on an annual basis, we may update the classification of communities during the calendar year to the extent that our plans with regard to the disposition or redevelopment of a community change during the year. The following is a description of each category:

Current Communities are categorized as Established, Other Stabilized, Lease-Up, or Redevelopment according to the following attributes:

- *Established Communities (also known as same store communities)* are consolidated communities where a comparison of operating results from the prior year to the current year is meaningful, as these communities were owned and had stabilized occupancy and operating expenses as of the beginning of the prior year. For the period ended June 30, 2013, the Established Communities are communities that are consolidated for financial reporting purposes, had stabilized occupancy and operating expenses as of January 1, 2012, are not conducting or planning to conduct substantial redevelopment activities and are not held for sale or planned for disposition within the current year. A community is considered to have stabilized occupancy at the earlier of (i) attainment of 95% physical occupancy or (ii) the one-year anniversary of completion of development or redevelopment.

- *Other Stabilized Communities* are all other completed communities that we own or have a direct or indirect ownership interest in, and that have stabilized occupancy, as defined above. Other Stabilized Communities do not include communities that are conducting or planning to conduct substantial redevelopment activities within the current year.

- *Lease-Up Communities* are communities where construction has been complete for less than one year and where physical occupancy has not reached 95%.

- *Redevelopment Communities* are communities where substantial redevelopment is in progress or is planned to begin during the current year. Redevelopment is considered substantial when capital invested during the reconstruction effort is expected to exceed either $5,000,000 or 10% of the community's pre-redevelopment basis and is expected to have a material impact on the operations of the community, including occupancy levels and future rental rates.

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

Development Rights are development opportunities in the early phase of the development process for which we either have an option to acquire land or enter into a leasehold interest, for which we are the buyer under a long-term conditional contract to purchase land or where we control the land through a ground lease or own land to develop a new community. We capitalize related pre-development costs incurred in pursuit of new developments for which we currently believe future development is probable.

We currently lease our corporate headquarters located in Arlington, Virginia under an operating lease. The lease term ends in 2020, subject to two five year renewal options. All other regional and administrative offices are leased under operating leases.

As of June 30, 2013, communities that we owned or held a direct or indirect interest in were classified as follows:

	Number of communities	Number of apartment homes
Current Communities		
Established Communities:		
New England	30	7,490
Metro NY/NJ	25	8,416
Mid-Atlantic	11	4,443
Pacific Northwest	10	2,387
Northern California	19	5,680
Southern California	22	5,827
Total Established	117	34,243
Other Stabilized Communities:		
New England	15	3,183
Metro NY/NJ	18	6,158
Mid-Atlantic	25	7,787
Pacific Northwest	5	1,142
Northern California	17	5,448
Southern California	34	10,780
Non-Core	3	1,030
Total Other Stabilized	117	35,528
Lease-Up Communities	6	1,545
Redevelopment Communities	6	2,248
Total Current Communities	246	73,564
Development Communities	27	7,935
Development Rights	47	13,649

Results of Operations

Our year-over-year operating performance is primarily affected by both overall and individual geographic market conditions and apartment fundamentals and is reflected in changes in NOI of our Established Communities; NOI derived from acquisitions and development completions; the loss of NOI related to disposed communities; and capital market and financing activity. A comparison of our operating results for the three and six months ended June 30, 2013 and 2012 follows (unaudited, dollars in thousands):

	For the three months ended				For the six months ended			
	6-30-13	6-30-12	$ Change	% Change	6-30-13	6-30-12	$ Change	% Change
Revenue:								
Rental and other income	$ 386,321	$ 249,675	$ 136,646	54.7%	$ 694,415	$ 491,501	$ 202,914	41.3%
Management, development and other fees	2,913	2,770	143	5.2%	5,185	5,319	(134)	(2.5)%
Total revenue	389,234	252,445	136,789	54.2%	699,600	496,820	202,780	40.8%
Expenses:								
Direct property operating expenses, excluding property taxes	75,148	53,852	21,296	39.5%	136,504	105,861	30,643	28.9%
Property taxes	42,038	24,528	17,510	71.4%	74,753	48,171	26,582	55.2%
Total community operating expenses	117,186	78,380	38,806	49.5%	211,257	154,032	57,225	37.2%
Corporate-level property management and other indirect operating expenses	13,812	11,400	2,412	21.2%	25,134	21,982	3,152	14.3%
Investments and investment management expense	1,096	1,499	(403)	(26.9)%	2,110	2,945	(835)	(28.4)%
Expensed acquisition, development and other pursuit costs	3,768	901	2,867	318.2%	43,827	1,141	42,686	3,741.1%
Interest expense, net	43,169	33,191	9,978	30.1%	81,342	66,814	14,528	21.7%
Loss on extinguishment of debt, net	—	—	—	—	—	1,179	(1,179)	(100.0)%

Depreciation expense	196,106	63,224	132,882	210.2%	305,280	124,137	181,143	145.9%
General and administrative	11,345	8,316	3,029	36.4%	21,384	18,026	3,358	18.6%
Gain on sale of land	(240)	(280)	40	(14.3)%	(240)	(280)	40	(14.3)%
Total other expenses	269,056	118,251	150,805	127.5%	478,837	235,944	242,893	102.9%
Equity in income (loss) of unconsolidated entities	(940)	2,073	(3,013)	(145.3)%	(19,503)	4,248	(23,751)	(559.1)%
Income (loss) from continuing operations	2,052	57,887	(55,835)	(96.5)%	(9,997)	111,092	(121,089)	(109.0)%
Discontinued operations:								
Income from discontinued operations	363	3,885	(3,522)	(90.7)%	3,394	8,289	(4,895)	(59.1)%
Gain on sale of communities	33,682	95,049	(61,367)	(64.6)%	118,173	95,049	23,124	24.3%
Total discontinued operations	34,045	98,934	(64,889)	(65.6)%	121,567	103,338	18,229	17.6%
Net income	36,097	156,821	(120,724)	(77.0)%	111,570	214,430	(102,860)	(48.0)%
Net loss attributable to noncontrolling interests	121	88	33	37.5%	78	237	(159)	(67.1)%
Net income attributable to common stockholders	$ 36,218	$ 156,909	$ (120,691)	(76.9)%	$ 111,648	$ 214,667	$ (103,019)	(48.0)%

Net income attributable to common stockholders decreased $120,691,000 or 76.9%, to $36,218,000 for the three months ended June 30, 2013 and $103,019,000 or 48.0% to $111,648,000 for the six months ended June 30, 2013 from the prior year periods. The decreases for the three and six months ended June 30, 2013 are due primarily to additional depreciation expense and expensed transaction costs associated with the Archstone Acquisition, as well as decreased gains from dispositions of real estate assets in 2013 as compared to the prior year period. The decreases in the three and six months ended June 30, 2013 are partially offset by an increase in NOI from communities acquired in the Archstone Acquisition and our existing and newly developed communities.

NOI is considered by management to be an important and appropriate supplemental performance measure to net income because it helps both investors and management to understand the core operations of a community or communities prior to the allocation of any corporate-level or financing-related costs. NOI reflects the operating performance of a community and allows for an easy comparison of the operating performance of individual assets or groups of assets. In addition, because prospective buyers of real estate have different financing and overhead structures, with varying marginal impacts to overhead by acquiring real estate, NOI is considered by many in the real estate industry to be a useful measure for determining the value of a real estate asset or group of assets. We define NOI as total property revenue less direct property operating expenses, including property taxes, and excluding corporate-level income (including management, development and other fees), corporate-level property management and other indirect operating expenses, investments and investment management expenses, expensed acquisition, development and other pursuit costs, net interest expense, gain (loss) on extinguishment of debt, general and administrative expense, joint venture income (loss), depreciation expense, impairment loss on land holdings, gain on sale of real estate assets and income from discontinued operations.

NOI does not represent cash generated from operating activities in accordance with GAAP. Therefore, NOI should not be considered an alternative to net income as an indication of our performance. NOI should also not be considered an alternative to net cash flow from operating activities, as determined by GAAP, as a measure of liquidity, nor is NOI indicative of cash available to fund cash needs. Reconciliations of NOI for the three and six months ended June 30, 2013 and 2012 to net income for each period are as follows (unaudited, dollars in thousands):

	For the three months ended		For the six months ended	
	06-30-13	06-30-12	06-30-13	06-30-12
Net income	$ 36,097	$ 156,821	$ 111,570	$ 214,430
Indirect operating expenses, net of corporate income	10,890	8,617	19,932	16,653
Investments and investment management expense	1,096	1,499	2,110	2,945
Expensed acquisition, development and other pursuit costs	3,768	901	43,827	1,141
Interest expense, net	43,169	33,191	81,342	66,814
Loss on extinguishment of debt, net	—	—	—	1,179
General and administrative expense	11,345	8,316	21,384	18,026
Equity in (income) loss of unconsolidated entities	940	(2,073)	19,503	(4,248)
Depreciation expense	196,106	63,224	305,280	124,137
Gain on sale of real estate assets	(33,922)	(95,329)	(118,413)	(95,329)
Income from discontinued operations	(363)	(3,885)	(3,394)	(8,289)
Net operating income	$ 269,126	$ 171,282	$ 483,141	$ 337,459

The NOI changes for the three and six months ended June 30, 2013, as compared to the prior year periods, consist of changes in the following categories (unaudited, dollars in thousands):

	For the three months ended 6-30-13	For the six months ended 6-30-13
Established Communities	$ 9,180	$ 16,836
Other Stabilized Communities (1)	80,717	116,797
Development and Redevelopment Communities	7,947	12,049
Total	$ 97,844	$ 145,682

(1) Includes operating communities acquired as part of the Archstone Acquisition.

The increases in our Established Communities' NOI for the three and six months ended June 30, 2013 are due to a combination of increased rental rates and increased occupancy offset somewhat by increased operating expenses. For the balance of 2013, we expect continued rental revenue growth over the prior year period, offset partially by an expected increase in operating expenses.

Rental and other income increased in the three and six months ended June 30, 2013 as compared to the prior year periods due to additional rental income generated from newly developed and acquired communities, including those acquired in the Archstone Acquisition, and increases in rental rates at our Established Communities.

Overall Portfolio — The weighted average number of occupied apartment homes for consolidated communities increased to 55,473 apartment homes for the six months ended June 30, 2013 as compared to 42,870 homes for the prior year period. The weighted average monthly revenue per occupied apartment home increased to $2,102 for the six months ended June 30, 2013 as compared to $1,982 in the prior year period.

Established Communities — Rental revenue increased $10,403,000, or 5.2% and $20,166,000, or 5.0%, for the three and six months ended June 30, 2013, respectively, over the prior year periods. The increase for the three months ended June 30, 2013 is due to increases in rental rates of 4.3% and economic occupancy of 0.9% from 95.7% to 96.6%. The increase for the six months ended June 30, 2013 is due to an increase in rental rates of 4.5% and economic occupancy of 0.5% from 95.9% to 96.4%. Economic occupancy takes into account the fact that apartment homes of different sizes and locations within a community have different economic impacts on a community's gross revenue. Economic occupancy is defined as gross potential revenue less vacancy loss, as a percentage of gross potential revenue. Gross potential revenue is determined by valuing occupied homes at leased rates and vacant homes at market rents. We experienced increases in rental revenue from Established Communities in all six of our regions for the six months ended June 30, 2013 over the prior year period. Information for each of our regions is discussed in more detail below.

The Metro New York/New Jersey region, which accounted for 29.5% of Established Community rental revenue for the six months ended June 30, 2013, experienced an increase in rental revenue of 5.1% as compared to the prior year period. Average rental rates increased 4.7% to $2,536, and economic occupancy increased 0.4% to 96.6% for the six months ended June 30, 2013. On a sequential basis, Metro New York/New Jersey reported rental revenue growth of 2.1% during the second quarter of 2013. Apartment demand in the Metro New York/New Jersey region is being driven by job growth across a diverse group of industries including healthcare, professional business services, technology, retail, hospitality and education. The region is also experiencing increased construction related employment growth related to Hurricane Sandy recovery efforts.

The New England region accounted for 21.5% of Established Community rental revenue for the six months ended June 30, 2013 and experienced a rental revenue increase of 3.4% over the prior year period. Average rental rates increased 2.6% to $2,087 and economic occupancy increased 0.8% to 96.2% for the six months ended June 30, 2013, as compared to the prior year period. Sequential revenue increased over the prior quarter by 2.0% during the three months ended June 30, 2013. The New England region's growth is driven by a renewed expansion in employment from the technology sector, primarily in the greater Boston area, offset somewhat by weakness in the financial services sector impacting the Fairfield-New Haven area. We expect continued revenue growth that will moderate during the year as new supply is introduced.

Northern California accounted for 17.6% of the Established Community rental revenue for the six months ended June 30, 2013 and experienced a rental revenue increase of 8.7% over the prior year period. Average rental rates increased 8.0% to $2,251, and economic occupancy increased 0.7% to 96.5% for the six months ended June 30, 2013 as compared to the prior year period. The Northern California region also saw the strongest sequential rental revenue growth in our markets, increasing 2.4% over the first quarter of 2013. Northern California's technology sector continues to support healthy apartment demand. New supply may slow revenue growth in future periods.

The Mid-Atlantic region, which represented 11.9% of Established Community rental revenue for the six months ended June 30, 2013, experienced an increase in rental revenue of 1.7% over the prior year period. Average rental rates increased by 1.7% to $1,964 over the prior year period, while maintaining economic occupancy of 96.2% for the six months ended June 30, 2013. The Mid-Atlantic region also experienced sequential quarterly rental revenue growth of 1.1%. Uncertainty surrounding federal spending in the Mid-Atlantic region and the expected elevated levels of new supply may result in slower revenue growth in 2013 relative to other markets.

Southern California accounted for 14.0% of the Established Community rental revenue for the six months ended June 30, 2013. The region experienced a rental revenue increase of 4.6% over the prior year period driven by an increase in average rental rates of 3.8% to $1,746 and an increase in economic occupancy of 0.8% to 96.4% for the six months ended June 30, 2013. Sequentially, the Southern California region saw a 0.7% increase in rental revenue in the second quarter of 2013. Above average job growth coupled with limited new supply will continue to support healthy apartment fundamentals in Southern California.

The Pacific Northwest region accounted for 5.5% of the Established Community rental revenue for the six months ended June 30, 2013 and experienced a rental revenue increase of 8.7% over the prior year period. Average rental rates increased 8.3% to $1,659, and economic occupancy increased 0.4% to 96.6% for the six months ended June 30, 2013 as compared to the prior year period. The Pacific Northwest showed sequential rental revenue growth of 2.1%, led by job gains in the region's professional services sector. The Pacific Northwest's retail, technology, and manufacturing sectors continue to support job creation. Consistent with several of our other markets, new supply may moderate revenue growth this year.

In accordance with GAAP, cash concessions are amortized as an offset to rental revenue over the approximate lease term, which is generally one year. As a supplemental measure, we also present rental revenue with concessions stated on a cash basis to help investors evaluate the impact of both current and historical concessions on GAAP based rental revenue and to more readily enable comparisons to revenue as reported by other companies. Rental revenue with concessions stated on a cash basis also allows investors to understand historical trends in cash concessions, as well as current rental market conditions.

The following table reconciles total rental revenue in conformity with GAAP to total rental revenue adjusted to state concessions on a cash basis for our Established Communities for the three and six months ended June 30, 2013 and 2012 (unaudited, dollars in thousands):

	For the three months ended		For the six months ended	
	6-30-13	6-30-12	6-30-13	6-30-12
Rental revenue (GAAP basis)	$ 211,941	$ 201,538	$ 420,104	$ 399,938
Concessions amortized	47	215	99	600
Concessions granted	(33)	(26)	(70)	(189)

Rental revenue adjusted to state concessions on a cash basis	$ 211,955	$ 201,727	$ 420,133	$ 400,349
Year-over-year % change — GAAP revenue		5.2%		5.0%
Year-over-year % change — cash concession based revenue		5.1%		4.9%

Management, development and other fees increased $143,000, or 5.2%, and decreased $134,000, or 2.5%, for the three and six months ended June 30, 2013, respectively, as compared to the prior year periods. The increase for the three months ended June 30, 2013 was primarily due to management fees related to the Archstone U.S. Fund and the AC JV. The decrease for the six months ended June 30, 2013 was primarily due to lower property management and other management fees earned related to dispositions from Fund I and Fund II.

Direct property operating expenses, excluding property taxes increased $21,296,000, or 39.5%, for the three months ended June 30, 2013 and $30,643,000, or 28.9%, for the six months ended June 30, 2013 as compared to the prior year periods, primarily due to the addition of newly developed and acquired apartment homes, including the communities acquired as part of the Archstone Acquisition.

For Established Communities, direct property operating expenses, excluding property taxes, were consistent with the prior year period for the three months ended June 30, 2013, and increased $415,000 or 0.5%, for the six months ended June 30, 2013 over the prior year period. The increase for the six months ended June 30, 2013 was due to increases in insurance and office operations.

Property taxes increased $17,510,000, or 71.4%, and $26,582,000, or 55.2%, for the three and six months ended June 30, 2013, respectively, over the prior year periods, due to the addition of newly developed and acquired apartment homes, including communities acquired as part of the Archstone Acquisition, coupled with increased rates and assessments across our portfolio.

For Established Communities, property taxes increased by $1,298,000, or 6.5%, and $2,934,000, or 7.3%, for the three and six months ended June 30, 2013, respectively, over the prior year periods due to higher assessments as well as the absence of rebates and associated adjustments that lowered property taxes in the first half of 2012. We expect property taxes to continue to increase for the balance of 2013 over 2012. For communities in California, property tax changes are determined by the change in the California Consumer Price Index, with increases limited by law (Proposition 13). Massachusetts also has laws in place to limit property tax increases. We evaluate property tax increases internally and also engage third-party consultants to assist in our evaluations. We appeal property tax increases when appropriate.

Corporate-level property management and other indirect operating expenses increased by $2,412,000, or 21.2%, and $3,152,000, or 14.3%, for the three and six months ended June 30, 2013, respectively, over the prior year periods primarily due to compensation related costs.

Investments and investment management expense decreased by $403,000, or 26.9%, and $835,000, or 28.4%, for the three and six months ended June 30, 2013, respectively, from the prior year periods primarily due to decreased compensation related costs.

Expensed acquisition, development and other pursuit costs primarily reflect the costs incurred related to our asset investment activity, abandoned pursuit costs, which include costs incurred for development pursuits not yet considered probable for development, as well as the abandonment of Development Rights, acquisition pursuits and disposition pursuits. These costs can be volatile, particularly in periods of increased acquisition activity, periods of economic downturn or when there is limited access to capital, and the costs may vary significantly from period to period. These costs increased in the three and six months ended June 30, 2013 due primarily to costs associated with the Archstone Acquisition.

Interest expense, net increased $9,978,000, or 30.1%, and $14,528,000, or 21.7%, for the three and six months ended June 30, 2013, respectively, from the prior year periods. This category includes interest costs offset by capitalized interest pertaining to development activity, amortization of the mark to market adjustment on debt assumed as part of the Archstone Acquisition, and interest income. The increases for the three and six months ended June 30, 2013 is due primarily to net interest costs on debt assumed in the Archstone Acquisition.

Loss on the extinguishment of debt, net reflects prepayment penalties, the expensing of deferred financing costs from our debt repurchase and retirement activity, or payments to acquire our outstanding debt at amounts above or below the carrying basis of the debt acquired, excluding such costs related to debt secured by assets sold or held for sale, which is included in discontinued operations, below.

Depreciation expense increased $132,882,000, or 210.2%, and $181,143,000, or 145.9%, in the three and six months ended June 30, 2013, respectively, over the prior year periods. The increase is primarily due to additional depreciation expense from the Archstone Acquisition, including the depreciation of in-place lease intangibles, which are being depreciated over a six month period.

General and administrative expense ("G&A") increased $3,029,000, or 36.4%, and $3,358,000, or 18.6%, for the three and six months ended June 30, 2013, respectively, over the prior year period due primarily to increased compensation costs.

Equity in income (loss) of unconsolidated entities decreased $3,013,000, or 145.3%, and $23,751,000, or 559.1%, for the three and six months ended June 30, 2013, respectively, as compared to the prior year periods. Costs of approximately $5,095,000 and $34,552,000 associated with the Archstone Acquisition were incurred through the unconsolidated joint venture entities owned with Equity Residential during the three and six months ended June 30, 2013, respectively.

Income from discontinued operations represents the net income generated by real estate sold or qualifying as discontinued operations during the period from January 1, 2012 through June 30, 2013. This decrease for the three and six months ended June 30, 2013 is due to the number and size of communities sold or held for sale during each period.

Gain on sale of communities decreased for the three months ended June 30, 2013 and increased for the six months ended June 30, 2013. The amount of gain realized upon disposition of a community depends on many factors, including the number of communities sold, the size and carrying value of those communities and the market conditions in the local area.

Net loss attributable to noncontrolling interests for the three and six months ended June 30, 2013 resulted in an allocation of loss of $121,000 and $78,000, respectively as compared to an allocation of loss of $88,000 and $237,000 for the three and six months ended June 30, 2012.

Funds from Operations Attributable to Common Stockholders (“FFO”)

FFO is considered by management to be an appropriate supplemental measure of our operating and financial performance. In calculating FFO, we exclude gains or losses related to dispositions of previously depreciated property and exclude real estate depreciation, which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates. FFO can help one compare the operating performance of a real estate company between periods or as compared to different companies. We believe that in order to understand our operating results, FFO should be examined with net income as presented in our Condensed Consolidated Financial Statements included elsewhere in this report.

Consistent with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trustsâ (“NAREIT”), we calculate FFO as net income or loss computed in accordance with GAAP, adjusted for:

- gains or losses on sales of previously depreciated operating communities;
- extraordinary gains or losses (as defined by GAAP);
- cumulative effect of change in accounting principle;
- impairment write-downs of depreciable real estate assets;
- write-downs of investments in affiliates due to a decrease in the value of depreciable real estate assets held by those affiliates;
- depreciation of real estate assets; and
- adjustments for unconsolidated partnerships and joint ventures.

FFO does not represent net income attributable to common stockholders in accordance with GAAP, and therefore it should not be considered an alternative to net income, which remains the primary measure of performance. In addition, FFO as calculated by other REITs may not be comparable to our calculation of FFO.

The following is a reconciliation of net income attributable to common stockholders to FFO (unaudited, dollars in thousands, except per share data):

	For the three months ended		For the six months ended	
	6-30-13	6-30-12	6-30-13	6-30-12
Net income attributable to common stockholders	$ 36,218	$ 156,909	$ 111,648	$ 214,667
Depreciation - real estate assets, including discontinued operations and joint venture adjustments	199,502	66,711	311,446	132,003
Distributions to noncontrolling interests, including discontinued operations	8	7	16	14
Gain on sale of unconsolidated entities holding previously depreciated real estate assets	(1,472)	(385)	(10,824)	(1,471)
Gain on sale of previously depreciated real estate assets	(33,682)	(95,049)	(118,173)	(95,049)
FFO attributable to common stockholders	$ 200,574	$ 128,193	$ 294,113	$ 250,164
Weighted average common shares outstanding - diluted	129,595,399	95,992,825	124,879,663	95,820,203
EPS per common share - diluted	$ 0.28	$ 1.63	$ 0.89	$ 2.24
FFO per common share - diluted	$ 1.55	$ 1.34	$ 2.36	$ 2.61

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FFO also does not represent cash generated from operating activities in accordance with GAAP, and therefore should not be considered an alternative to net cash flows from operating activities, as determined by GAAP, as a measure of liquidity. Additionally, it is not necessarily indicative of cash available to fund cash needs.

A presentation of GAAP based cash flow metrics is as follows (unaudited, dollars in thousands) and a discussion of “Liquidity and Capital Resources” can be found later in this report:

	For the three months ended		For the six months ended	
	6-30-13	6-30-12	6-30-13	6-30-12
Net cash provided by operating activities	$ 185,823	$ 117,128	$ 267,211	$ 222,468
Net cash used in investing activities	$ (234,769)	$ (26,411)	$ (884,350)	$ (192,751)
Net cash (used in) provided by financing activities	$ (287,363)	$ 19,304	$ (2,005,332)	$ (288,307)

Liquidity and Capital Resources

We believe our principal short-term liquidity needs are to fund:

- any additional costs associated with the Archstone Acquisition as well as the integration of Archstone communities into our business;
- development and redevelopment activity in which we are currently engaged;
- the minimum dividend payments on our common stock required to maintain our REIT qualification under the Code;
- debt service and principal payments either at maturity or opportunistically before maturity; and
- normal recurring operating expenses.

Factors affecting our liquidity and capital resources are our cash flows from operations, financing activities and investing activities (including dispositions) as well as general economic and market conditions. Operating cash flow has historically been determined by: (i) the number of apartment homes currently owned, (ii) rental rates, (iii) occupancy levels and (iv) operating expenses with respect to apartment homes. The timing and type of capital markets activity in which we engage, as well as our plans for development, redevelopment, acquisition and disposition activity, are affected by changes in the capital markets environment, such as changes in interest rates or the availability of cost-effective capital. We regularly review our liquidity needs, the adequacy of cash flows from operations and other expected liquidity sources to meet these needs.

For the balance of 2013, we expect to meet our liquidity needs from a variety of internal and external sources, which may include cash balances on hand, borrowing capacity under our Credit Facility, secured and unsecured debt financings, and other public or private sources of liquidity including common and preferred equity, amounts issued under the CEP III discussed below, real estate dispositions, as well as cash generated from our operating activities. Our ability to obtain additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the overall availability of credit to the real estate industry, our credit ratings and credit capacity, as well as the perception of lenders regarding our long or short-term financial prospects.

At June 30, 2013, we had unrestricted cash, cash equivalents and cash in escrow of $205,547,000 available for both current liquidity needs as well as development activities.

Unrestricted cash and cash equivalents totaled $111,147,000 at June 30, 2013, a decrease of $2,622,471,000 from $2,733,618,000 at December 31, 2012. The following discussion relates to changes in cash due to operating, investing and financing activities, which are presented in our Condensed Consolidated Statements of Cash Flows included elsewhere in this report.

Operating Activities — Net cash provided by operating activities increased to $267,211,000 for the six months ended June 30, 2013 from $222,468,000 for the six months ended June 30, 2012. The change was driven primarily by increased NOI from our communities and the timing of payments of corporate obligations.

Investing Activities — Net cash used in investing activities of $884,350,000 for the six months ended June 30, 2013 related to investments in assets primarily through acquisitions, development and redevelopment, partially offset by proceeds of $432,380,000 from the sale of real estate. During the six months ended June 30, 2013, we invested $1,345,876,000 in the following:

- we invested $749,275,000 in the acquisition of real estate related to the Archstone Acquisition;
- we invested approximately $591,894,000 in the development and redevelopment of communities; and
- we had capital expenditures of $4,707,000 for real estate and non-real estate assets.

Financing Activities — Net cash used by financing activities totaled $2,005,332,000 for the six months ended June 30, 2013. The net cash used is due to the repayment of $1,786,130,000 in secured notes and prepayment penalties, primarily in conjunction with the Archstone Acquisition, the repayment of $100,000,000 in unsecured notes and payment of cash dividends in the amount of $249,267,000, offset partially by $142,000,000 in net borrowings under our Credit Facility.

Variable Rate Unsecured Credit Facility

The Company has a $1,300,000,000 revolving variable rate unsecured credit facility with a syndicate of banks (the "Credit Facility") which matures in April 2017. We may extend the maturity for up to one year through the exercise of two, six month extension options for extension fees of $1,950,000. The Credit Facility bears interest at varying levels based on the London Interbank Offered Rate ("LIBOR"), rating levels achieved on our unsecured notes and on a maturity schedule selected by us. The current stated pricing is LIBOR plus 1.05% (1.24% at July 31, 2013). The annual facility fee is 0.15% (or approximately $1,950,000 annually based on the $1,300,000,000 facility size and based on our current credit rating).

We had outstanding borrowings of $315,000,000 under the Credit Facility and had $57,535,000 outstanding in letters of credit that reduced our borrowing capacity as of July 31, 2013.

Financial Covenants

We are subject to financial and other covenants contained in the Credit Facility and the indenture under which our unsecured notes were issued. The financial covenants include the following:

- limitations on the amount of total and secured debt in relation to our overall capital structure;
- limitations on the amount of our unsecured debt relative to the undepreciated basis of real estate assets that are not encumbered by property-specific financing; and
- minimum levels of debt service coverage.

We were in compliance with these covenants at June 30, 2013.

In addition, our secured borrowings may include yield maintenance, defeasance, or prepayment penalty provisions, which would result in us incurring an additional charge in the event of a full or partial prepayment of outstanding principal before the scheduled maturity. These provisions in our secured borrowings are generally consistent with other similar types of debt instruments issued during the same time period in which our borrowings were secured.

Continuous Equity Program (CEP)

In August 2012, the Company commenced a third continuous equity program ("CEP III"), under which the Company is authorized to sell up to $750,000,000 of shares of its common stock from time to time during a 36-month period. The Company did not sell any shares under CEP III during the three months ended June 30, 2013. The Company has $646,274,000 of our common stock available to be issued under CEP III at June 30, 2013.

Future Financing and Capital Needs — Debt Maturities

One of our principal long-term liquidity needs is the repayment of long-term debt at the time that such debt matures. For both our unsecured and secured notes, a portion of the principal of these notes may be repaid prior to maturity. Early retirement of our secured or unsecured notes could result in gains or losses on extinguishment. If we do not have funds on hand sufficient to repay our indebtedness as it becomes due, it will be necessary for us to refinance or repay the debt. This refinancing or repayment may be accomplished by uncollateralized private or public debt offerings, equity issuances, additional debt financing that is secured by mortgages on individual communities or groups of communities or draws on our Credit Facility. Although we believe we will have the capacity to meet our currently anticipated liquidity needs, we cannot assure you that additional debt financing or debt or equity offerings will be available or, if available, that they will be on terms we consider satisfactory.

During the three months ended June 30, 2013 we paid $32,086,000 to redeem a portion of our proportionate share of the preferred interests assumed in conjunction with the Archstone Acquisition.

The following additional financing activity occurred in 2013 through July 2013:

- In connection with the Archstone Acquisition, we assumed $2,034,482,000 net principal amount of Archstone's existing secured indebtedness, detailed in the following table.
- In March 2013, we repaid $100,000,000 principal amount of 4.95% unsecured notes pursuant to their scheduled maturity.
- In April 2013, we obtained a 3.06% fixed rate secured mortgage note in the amount of $15,000,000 that matures in April 2018.
- In April 2013, we repaid a 4.69% fixed rate secured mortgage note in the amount of $170,125,000 pursuant to its scheduled maturity date.
- In May 2013, we repaid a $5,393,000 fixed rate secured mortgage note with an interest rate of 5.55% at par and without penalty in advance of its July 2028 scheduled maturity date.
- In May 2013, we obtained a 3.08% fixed rate secured mortgage note that matures in May 2020 in the amount of $56,210,000, in association with the refinancing of an existing $47,000,000 variable rate secured mortgage note.
- In May 2013, we repaid a $52,806,000 fixed rate secured mortgage note with an interest rate of 5.24% pursuant to its scheduled maturity date.

The following table details our consolidated debt maturities for the next five years, excluding our Credit Facility and amounts outstanding related to communities classified as held for sale, for debt outstanding at June 30, 2013 (dollars in thousands). We are not directly or indirectly (as borrower or guarantor) obligated in any material respect to pay principal or interest on the indebtedness of any unconsolidated entities in which we have an equity or other interest.

Community	All-In interest rate (1)	Principal maturity date	Balance Outstanding 12-31-12	6-30-13	2013	2014	2015	2016	2017	Thereafter
Tax-exempt bonds										
Fixed rate (4)										
Eaves Washingtonian Center I	7.82%	May-2027	$ 8,764	$ 8,586	$ 185	$ 390	$ 419	$ 449	$ 482	$ 6,661
Avalon Oaks	7.49%	Feb-2041	16,288	16,193	98	207	222	238	255	15,173
Avalon Oaks West	7.54%	Apr-2043	16,205	16,120	88	185	198	211	225	15,213
Avalon at Chestnut Hill	6.15%	Oct-2047	40,390	40,187	208	434	457	482	509	38,097
Archstone Meadowbrook Crossing	4.61%	Nov-2036	—	62,200(7)	—	—	—	—	—	62,200
			81,647	143,286	579	1,216	1,296	1,380	1,471	137,344
Variable rate (2) (4)										
Avalon at Mountain View	0.97%	Feb-2017	18,300	18,300(3)	—	—	—	—	18,300	—
Avalon at Mission Viejo	1.23%	Jun-2025	7,635	7,635(3)	—	—	—	—	—	7,635
AVA Nob Hill	1.15%	Jun-2025	20,800	20,800(3)	—	—	—	—	—	20,800
Avalon Campbell	1.92%	Jun-2025	38,800	38,800(3)	—	—	—	—	—	38,800
Avalon Pacifica	1.93%	Jun-2025	17,600	17,600(3)	—	—	—	—	—	17,600
Avalon Bowery Place I	3.04%	Nov-2037	93,800	93,800(3)	—	—	—	—	—	93,800
Avalon Acton	1.59%	Jul-2040	45,000	45,000(3)	—	—	—	—	—	45,000
Avalon Walnut Creek	2.70%	Mar-2046	116,000	116,000	—	—	—	—	—	116,000
Avalon Walnut Creek	2.67%	Mar-2046	10,000	10,000	—	—	—	—	—	10,000
Avalon Morningside Park	1.60%	May-2046	100,000	100,000(5)	—	—	—	—	—	100,000
Archstone Clinton North	1.75%	May-2038	—	147,000(7)(3)	—	—	—	—	—	147,000
Archstone Clinton South	1.75%	May-2038	—	121,500(7)(3)	—	—	—	—	—	121,500
Archstone Midtown West	1.67%	May-2029	—	100,500(7)(3)	—	—	—	—	—	100,500
Archstone San Bruno	1.64%	Dec-2037	—	64,450(7)(3)	—	—	—	—	—	64,450
Archstone Calabasas	1.73%	Apr-2028	—	44,410(7)(3)	—	—	—	—	—	44,410
			$ 467,935	$ 945,795	$ —	$ —	$ —	$ —	18,300	$ 927,495
Conventional loans (4)										
Fixed rate										
$100 Million unsecured notes	—	Mar-2013	100,000	—	—	—	—	—	—	—
$150 Million unsecured notes	5.52%	Apr-2014	150,000	150,000	—	150,000	—	—	—	—
$250 Million unsecured notes	5.89%	Sep-2016	250,000	250,000	—	—	—	250,000	—	—
$250 Million unsecured notes	5.82%	Mar-2017	250,000	250,000	—	—	—	—	250,000	—
$250 Million unsecured notes	6.19%	Mar-2020	250,000	250,000	—	—	—	—	—	250,000
$250 Million unsecured notes	4.04%	Jan-2021	250,000	250,000	—	—	—	—	—	250,000
$450 Million unsecured notes	4.30%	Sep-2022	450,000	450,000	—	—	—	—	—	450,000
$250 Million unsecured notes	3.00%	Mar-2023	250,000	250,000	—	—	—	—	—	250,000
Avalon at Tysons West	—	Jul-2028	5,465	—(8)	—	—	—	—	—	—
Avalon Orchards	7.78%	Jul-2033	17,939	17,738	209	441	472	506	542	15,568
Avalon at Arlington Square	—	Apr-2013	170,125	—(6)	—	—	—	—	—	—
Avalon Crescent	5.54%	May-2015	110,600	110,600	—	—	110,600	—	—	—
Avalon at Silicon Valley	5.72%	Jul-2015	150,000	150,000	—	—	150,000	—	—	—
Avalon Darien	6.22%	Nov-2015	49,221	48,854	370	785	47,699	—	—	—
Avalon Greyrock Place	6.13%	Nov-2015	59,292	58,840	455	962	57,423	—	—	—
Avalon Walnut Creek	4.00%	Jul-2066	2,500	2,500	—	—	—	—	—	2,500
Avalon Shrewsbury	5.92%	May-2019	20,737	20,601	137	289	307	323	346	19,199
Eaves Trumbull	5.93%	May-2019	40,552	40,286	267	566	601	631	676	37,545
Avalon at Stamford Harbor	5.92%	May-2019	64,472	64,049	425	900	955	1,003	1,075	59,691
Avalon Freehold	5.94%	May-2019	35,948	35,712	237	502	532	559	599	33,283
Avalon Run East	5.94%	May-2019	38,519	38,267	254	538	571	599	642	35,663
Eaves Nanuet	6.06%	May-2019	65,004	64,578	429	907	963	1,011	1,083	60,185
Avalon at Edgewater	5.94%	May-2019	77,103	76,597	508	1,076	1,142	1,199	1,285	71,387
Avalon Foxhall	6.05%	May-2019	57,912	57,532	382	808	858	901	965	53,618
Avalon at Gallery Place	6.05%	May-2019	44,997	44,701	297	628	667	700	750	41,659
Avalon at Traville	5.91%	May-2019	76,254	75,753	503	1,065	1,130	1,186	1,271	70,598
Avalon Bellevue	5.91%	May-2019	26,201	26,029	172	366	388	408	437	24,258
Avalon on The Alameda	5.90%	May-2019	52,975	52,628	349	740	785	824	883	49,047
Avalon at Mission Bay North	5.90%	May-2019	71,905	71,433	474	1,004	1,065	1,118	1,198	66,574
Fairfax Towers	5.01%	Aug-2015	42,459	41,953	513	1,070	40,370	—	—	—
Eaves Phillips Ranch	—	Jun-2013	53,348	—(6)	—	—	—	—	—	—
The Mark Pasadena	4.77%	Jun-2018	11,958	11,958	89	186	195	202	213	11,073
Archstone Seal Beach	3.12%	Nov-2015	—	86,167(7)	—	—	86,167	—	—	—
Oakwood Toluca Hills	3.12%	Nov-2015	—	167,595(7)	—	—	167,595	—	—	—
Mountain View at Middlefield	3.12%	Nov-2015	—	72,374(7)	—	—	72,374	—	—	—
Tunlaw Gardens	3.12%	Nov-2015	—	28,844(7)	—	—	28,844	—	—	—
Archstone Glover Park	3.12%	Nov-2015	—	23,858(7)	—	—	23,858	—	—	—
Oakwood Philadelphia	3.12%	Nov-2015	—	10,427(7)	—	—	10,427	—	—	—
Oakwood Arlington	3.12%	Nov-2015	—	42,703(7)	—	—	42,703	—	—	—
Archstone Quincy	3.12%	Nov-2015	—	37,212(7)	—	—	37,212	—	—	—
Archstone Thousand Oaks Plaza	3.12%	Nov-2015	—	28,742(7)	—	—	28,742	—	—	—
Archstone La Jolla Colony	3.36%	Nov-2017	—	27,176(7)	—	—	—	—	27,176	—
Archstone Old Town Pasadena	3.36%	Nov-2017	—	15,669(7)	—	—	—	—	15,669	—
Archstone Thousand Oaks	3.36%	Nov-2017	—	27,411(7)	—	—	—	—	27,411	—
Archstone Walnut Ridge	3.36%	Nov-2017	—	20,754(7)	—	—	—	—	20,754	—
Archstone Los Feliz	3.36%	Nov-2017	—	43,258(7)	—	—	—	—	43,258	—
Archstone Oak Creek	3.36%	Nov-2017	—	85,288(7)	—	—	—	—	85,288	—
Archstone Del Mar Station	3.36%	Nov-2017	—	76,471(7)	—	—	—	—	76,471	—
Archstone Courthouse Place	3.36%	Nov-2017	—	140,332(7)	—	—	—	—	140,332	—
Archstone Pasadena	3.36%	Nov-2017	—	28,079(7)	—	—	—	—	28,079	—
Archstone West Valley	3.36%	Nov-2017	—	83,087(7)	—	—	—	—	83,087	—
Archstone Woodland Hills	3.36%	Nov-2017	—	104,694(7)	—	—	—	—	104,694	—
Archstone Russett	3.36%	Nov-2017	—	39,972(7)	—	—	—	—	39,972	—
Archstone First + M	3.14%	May-2053	—	128,826(7)	1,364	2,443	2,584	2,733	2,889	116,813
Archstone San Bruno II	3.85%	Apr-2021	—	31,602(7)	235	430	454	475	506	29,502

Archstone Meadowbrook Crossing	4.81%	Nov-2036	—	21,800(7)	626	1,095	1,155	1,315	1,275	16,334
Archstone Lexington	3.32%	Mar-2016	—	16,900(6)	121	255	269	16,255	—	—
Avalon Andover	3.21%	Apr-2018	—	14,975	154	316	325	336	346	13,498
Archstone San Bruno III	3.08%	May-2020	—	56,210	—	—	560	1,147	1,188	53,315
			3,295,486	4,421,035	8,570	167,372	919,992	283,431	960,360	2,081,310
Variable rate (2) (4) (5)										
Avalon Walnut Creek	2.78%	Mar-2046	9,000	8,600 (7)	—	—	—	—	—	8,600
Archstone Calabasas	1.61%	Aug-2018	—	57,314 (7)(3)	566	1,020	1,084	1,152	1,225	52,267
			9,000	65,914	566	1,020	1,084	1,152	1,225	60,867
Total indebtedness-excluding unsecured credit facility			$ 3,854,068	$ 5,576,030	$ 9,715	$ 169,608	$ 922,372	$ 285,963	$ 981,356	$ 3,207,016

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(1) Includes credit enhancement fees, facility fees, trustees' fees, the impact of interest rate hedges, offering costs, mark to market amortization and other fees.

(2) Variable rates are given as of June 30, 2013.

(3) Financed by variable rate debt, but interest rate is capped through an interest rate protection agreement.

(4) Balances outstanding represent total amounts due at maturity, and are net of $3,887 and $4,202 of debt discount associated with the unsecured notes, net as of June 30, 2013 and December 31, 2012, respectively, and $139,175 and $1,167 premium associated with secured notes as of June 30, 2013 and December 31, 2012, respectively, as reflected on our Unaudited Condensed Consolidated Balance Sheets included elsewhere in this report.

(5) In July 2012 we remarketed the bonds converting them to a variable rate through July 2017.

(6) Borrowing was repaid in accordance with its scheduled maturity.

(7) Borrowing was assumed as part of the Archstone Acquisition.

(8) Borrowing was repaid in May 2013 at par in advance of its scheduled maturity in July 2028.

Future Financing and Capital Needs — Portfolio and Other Activity

As of June 30, 2013, we had 27 wholly-owned communities under construction, for which a total estimated cost of approximately $1,036,220,000 remained to be invested. We also had six wholly-owned communities under reconstruction, for which a total estimated cost of approximately $35,299,000 remained to be invested. Substantially all of the capital expenditures necessary to complete the communities currently under construction and reconstruction, and to fund development costs related to pursuing Development Rights, will be funded from:

- our $1,300,000,000 Credit Facility until it expires in 2018, assuming we exercise the two extension options;
- cash currently on hand, invested in highly liquid overnight money market funds and repurchase agreements, and short-term investment vehicles;
- retained operating cash;
- the net proceeds from sales of existing communities;
- the issuance of debt or equity securities; and/or
- private equity funding, including joint venture activity.

Before planned reconstruction activity, including reconstruction activity related to communities acquired by the Funds, or the construction of a Development Right begins, we intend to arrange adequate financing to complete these undertakings, although we cannot assure you that we will be able to obtain such financing. In the event that financing cannot be obtained, we may have to abandon Development Rights, write off associated pre-development costs that were capitalized and/or forego reconstruction activity. In such instances, we will not realize the increased revenues and earnings that we expected from such Development Rights or reconstruction activity and significant losses could be incurred.

From time to time we use joint ventures to hold or develop individual real estate assets. We generally employ joint ventures primarily to mitigate asset concentration or market risk and secondarily as a source of liquidity. We may also use joint ventures related to mixed-use land development opportunities where our partners bring development and operational expertise to the venture. Each joint venture or partnership agreement has been individually negotiated, and our ability to operate and/or dispose of a community in our sole discretion may be limited to varying degrees depending on the terms of the joint venture or partnership agreement. We cannot assure you that we will achieve our objectives through joint ventures.

In evaluating our allocation of capital within our markets, we sell assets that do not meet our long-term investment criteria or when capital and real estate markets allow us to realize a portion of the value created over the past business cycle and redeploy the proceeds from those sales to develop and redevelop communities. Because the proceeds from the sale of communities may not be immediately redeployed into revenue generating assets, the immediate effect of a sale of a community for a gain is to increase net income, but reduce future total revenues, total expenses and NOI. However, we believe that the absence of future cash flows from communities sold will have a minimal impact on our ability to fund future liquidity and capital resource needs.

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Unconsolidated Real Estate Investments and Off-Balance Sheet Arrangements

As of June 30, 2013, excluding our interest in the Residual JV discussed further below, we had investments in the following unconsolidated real estate entities with ownership interest percentages ranging from 15.2% to 31.3%. We account for these investments in unconsolidated real estate entities under the equity method of accounting. Refer to Note 5, "Archstone Acquisition," and Note 6, "Investments in Real Estate Entities," of the Condensed Consolidated Financial Statements located elsewhere in this report, which includes information on the aggregate assets, liabilities and equity, as well as operating results, and our proportionate share of their operating results. The following table excludes our interest in the Residual JV, discussed further below.

				Debt (2)			
Unconsolidated Real Estate Investments	**Company ownership percentage**	**# of Apartment homes**	**Total capitalized cost (1)**	**Amount**	**Type**	**Interest rate (3)**	**Maturity date**
Fund I							
1. Avalon Sunset - Los Angeles, CA		82	$ 21,017	$ 12,750	Fixed	5.4%	Mar 2014
2. The Springs - Corona, CA (4)		320	30,032	22,629	Fixed	6.1%	Oct 2014
3. Avalon Cedar Place - Columbia, MD		156	24,526	12,000	Fixed	5.7%	Feb 2015
4. Avalon Centerpoint - Baltimore, MD (5)		392	80,305	45,000	Fixed	5.7%	Dec 2014
5. Middlesex Crossing - Billerica, MA		252	38,553	24,100	Fixed	5.5%	Dec 2014
6. Avalon Crystal Hill - Ponoma, NY		168	38,889	24,500	Fixed	5.4%	Dec 2014

7.	Avalon Rutherford Station - East Rutherford, NJ		108	36,849	18,933	Fixed	6.1%	Sep 2016
8.	South Hills Apartments - West Covina, CA		85	24,871	11,762	Fixed	5.9%	Oct 2014
9.	Weymouth Place - Weymouth, MA		211	25,375	13,455	Fixed	5.1%	Mar 2015
	Total Fund I	15.2%	1,774	$ 320,417	$ 185,129		5.7%	
Fund II								
1.	Avalon Bellevue Park - Bellevue, WA		220	$ 34,033	$ 21,515	Fixed	5.5%	Jun 2019
2.	Avalon Fair Oaks - Fairfax, VA		491	72,402	42,557	Fixed	5.3%	May 2017
3.	The Apartments at Briarwood - Owings Mills, MD		348	46,625	26,850	Fixed	3.6%	Nov 2017
4.	Eaves Gaithersburg - Gaithersburg, MD (6)		684	102,284	63,200	Fixed	5.4%	Jan 2018
5.	Eaves Tustin - Tustin, CA		628	100,480	59,100	Fixed	3.8%	Oct 2017
6.	Eaves Los Alisos - Lake Forest, CA		140	27,466	—	N/A	N/A	N/A
7.	Eaves Plainsboro - Plansboro, NJ (6)		776	89,698	52,657	Fixed	4.6%	Nov 2014
8.	Eaves Carlsbad - Carlsbad, CA		448	79,158	46,141	Fixed	4.7%	Feb 2018
9.	Eaves Rockville - Rockville, MD		210	51,534	31,164	Fixed	4.3%	Aug 2019
10.	Captain Parker Arms - Lexington, MA		94	21,980	13,500	Fixed	3.9%	Sep 2019
11.	Eaves Rancho San Diego - San Diego , CA		676	126,144	72,155	Fixed	3.5%	Nov 2018
12.	Avalon Watchung - Watchung, NJ		334	65,819	40,950	Fixed	3.4%	Apr 2019
	Total Fund II	31.3%	5,049	$ 817,623	$ 469,789		4.3%	
Archstone U.S. Fund								
1.	Archstone Sunnyvale (Parkside) - Sunnyvale, CA		192	$ 66,811	$ 36,251	Fixed	5.4%	Nov 2019
2.	Archstone Studio 4041 - Studio City, CA		149	56,449	30,150	Fixed	3.3%	Nov 2022
3.	Marina Bay - Marina del Rey, CA (7)		205	58,136	—	N/A	N/A	N/A
4.	Archstone Venice on Rose - Venice, CA		70	57,195	32,000	Fixed	3.3%	Jun 2020
5.	Archstone Boca Town Center - Boca Raton, FL (8)		252	44,814	25,000	Fixed	3.7%	Feb 2019
6.	Archstone Station 250 - Dedham, MA		285	94,633	60,000	Fixed	3.7%	Sep 2022
7.	Archstone Grosvenor Tower - Bethesda, MD		236	76,222	46,500	Fixed	3.7%	Sep 2022
8.	Archstone Kips Bay - New York, NY		209	133,487	70,000	Fixed	4.3%	Jan 2019
9.	Archstone Kirkland at Carillon - Kirkland, WA		130	49,323	30,615	Fixed	3.8%	Feb 2019
	Total Archstone U.S. Fund	28.6%	1,728	$ 637,070	$ 330,516		4.0%	
Archstone AC JV								
1.	Archstone North Point - Cambridge, MA (9)		426	$ 186,292	$ 111,653	Fixed	6.0%	July 2021
2.	Archstone Woodland Park - Herndon, VA (9)		392	84,683	50,647	Fixed	6.0%	July 2021
	Total Archstone AC JV	20.0%	818	$ 270,975	$ 162,300		6.0%	
Other Operating Joint Ventures								
1.	Avalon Chrystie Place I - New York, NY (10)	20.0%	361	$ 138,378	$ 117,000	Variable	0.8%	Nov 2036
2.	Avalon at Mission Bay North II - San Francisco, CA (10)	25.0%	313	124,334	105,000	Fixed	6.0%	Dec 2015
3.	Archstone Brandywine - Washington, DC	28.7%	305	17,167	25,000	Fixed	4.3%	Jun 2028
	Total Other Joint Ventures		979	279,879	247,000		3.4%	
	Total Unconsolidated Investments		10,348	$ 2,325,964	$ 1,394,734		4.4%	

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(1) Represents total capitalized cost as of June 30, 2013.

(2) We have not guaranteed the debt of unconsolidated investees and bear no responsibility for the repayment, other than the construction and completion and related financing guarantee for Avalon Chrystie Place I associated with the construction completion and occupancy certificate.

(3) Represents weighted average rate on outstanding debt as of June 30, 2013.

(4) Beginning in the third quarter of 2010, we consolidated the net assets and results of operations of The Springs.

(5) Borrowing on this community is comprised of three mortgage loans.

(6) Borrowing on this community is comprised of two mortgage loans.

(7) This community, and the associated marina containing 229 boat slips, are currently under redevelopment for which the venture is expecting to invest $32.9 million. Currently approximately one half of the apartment homes are not in service due to the redevelopment. This community is owned through a leasehold interest.

(8) The debt secured by this community is a variable rate note converted to an effective fixed rate borrowing with an interest rate swap.

(9) Borrowing is comprised of four mortgage loans made by the equity investors in the venture in proportion to their equity interests.

(10) After the venture makes certain threshold distributions to the third-party partner, we will generally receive 50% of all further distributions.

Off-Balance Sheet Arrangements

In addition to our investment interests in consolidated and unconsolidated real estate entities, we have certain off-balance sheet arrangements with the entities in which we invest. Additional discussion of these entities can be found in Note 6, “Investments in Real Estate Entities,” of our Condensed Consolidated Financial Statements located elsewhere in this report.

- Subsidiaries of Fund I have 11 loans secured by individual assets with amounts outstanding in the aggregate of $185,129,000, including $22,629,000 for the mortgage note of a Fund I subsidiary that we purchased during 2010. Fund I subsidiary loans have varying maturity dates (and, in some cases, dates after which the loans can be prepaid without penalty), ranging from March 2014 to September 2016. These mortgage loans are secured by the underlying real estate. The mortgage loans are payable by the subsidiaries of Fund I with operating cash flow or disposition proceeds from the underlying real estate. We have not guaranteed the debt of Fund I, nor do we have any obligation to fund this debt should Fund I be unable to do so.

  In addition, as part of the formation of Fund I, we have provided to one of the limited partners a guarantee. The guarantee provides that if, upon final liquidation of Fund I, the total amount of all distributions to that partner during the life of Fund I (whether from operating cash flow or property sales) does not equal a minimum of the total capital contributions made by that partner, then we will pay the partner an amount equal to the shortfall, but in no event more than 10% of the total capital contributions made by the partner (maximum of approximately $7,500,000 as of June 30, 2013). As of June 30, 2013, the expected realizable value of the real estate assets owned by Fund I is considered adequate to cover such potential payment to that partner under the expected Fund I liquidation scenario. The estimated fair value of, and our obligation under this guarantee, both at inception and as of June 30, 2013, was not significant and therefore we have not recorded any obligation for this guarantee as of June 30, 2013.

- As of June 30, 2013, subsidiaries of Fund II have 13 loans secured by individual assets with amounts outstanding in the aggregate of $469,789,000 with varying maturity dates (and, in some cases, dates after which the loans can be prepaid without penalty), ranging from November 2014 to September 2019. The mortgage loans are payable by the subsidiaries of Fund II with operating cash flow or disposition proceeds from the underlying real estate. We have not guaranteed the debt of Fund II, nor do we have any obligation to fund this debt should Fund II be unable to do so.

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In addition, as part of the formation of Fund II, we have provided to one of the limited partners a guarantee. The guarantee provides that if, upon final liquidation of Fund II, the total amount of all distributions to that partner during the life of Fund II (whether from operating cash flow or property sales) does not equal a minimum of the total capital contributions made by that partner, then we will pay the partner an amount equal to the shortfall, but in no event more than 10% of the total capital contributions made by the partner (maximum of approximately $8,910,000 as of June 30, 2013). As of June 30, 2013, the expected realizable value of the real estate assets owned by Fund II is considered adequate to cover such potential payment to that partner under the expected Fund II liquidation scenario. The estimated fair value of, and our obligation under this guarantee, both at inception and as of June 30, 2013, was not significant and therefore we have not recorded any obligation for this guarantee as of June 30, 2013.

· Each individual mortgage loan of Fund I or Fund II was made to a special purpose, single asset subsidiary of the Funds. Each mortgage loan provides that it is the obligation of the respective subsidiary only, except under exceptional circumstances (such as fraud or misapplication of funds) in which case the respective Fund could also have obligations with respect to the mortgage loan. In no event do the mortgage loans provide for recourse against investors in the Funds, including against us or our wholly-owned subsidiaries that invest in the Funds. A default by a Fund or a Fund subsidiary on any loan to it would not constitute a default under any of our loans or any loans of our other non-Fund subsidiaries or affiliates. If either the Funds or a subsidiary of one of the Funds were unable to meet its obligations under a loan, the value of our investment in that Fund would likely decline and we might also be more likely to be obligated under the guarantee we provided to one of the Fund partners in each Fund as described above. If either of the Funds or a subsidiary of one of the Funds were unable to meet its obligations under a loan, we and/or the other investors might evaluate whether it was in our respective interests to voluntarily support the Fund through additional equity contributions and/or take other actions to avoid a default under a loan or the consequences of a default (such as foreclosure of a Fund asset).

In the future, in the event either of the Funds were unable to meet their obligations under a loan, we cannot predict at this time whether we would provide any voluntary support, or take any other action, as any such action would depend on a variety of factors, including the amount of support required and the possibility that such support could enhance the return of either of the Funds and/or our returns by providing time for performance to improve.

· CVP I, LLC has outstanding tax-exempt, variable rate bonds maturating in November 2036 in the amount of $117,000,000, which have permanent credit enhancement.

· MVP I, LLC, the entity that owns Avalon at Mission Bay North II, has a loan secured by the underlying real estate assets of the community for $105,000,000. The loan is a fixed rate, interest-only note bearing interest at 6.02%, maturing in December 2015. We have not guaranteed the debt of MVP I, LLC, nor do we have any obligation to fund this debt should MVP I, LLC be unable to do so.

In conjunction with the Archstone Acquisition, the Company acquired interests in the following entities:

· *Archstone Multifamily Partners AC LP (the "Archstone U.S. Fund")* — The Archstone U.S. Fund was formed in July 2011 and is fully invested. As of June 30, 2013, the Archstone U.S. Fund owns nine communities containing 1,728 apartment communities, one of which includes a marina containing 229 boat slips. Through subsidiaries we own the general partner of the fund and hold a 28.6% interest in the fund.

Subsidiaries of the Archstone U.S. Fund have eight loans secured by individual assets with amounts outstanding in the aggregate of $330,516,000 with varying maturity dates, ranging from February 2019 to November 2022. The mortgage loans are payable by the subsidiaries of the Archstone U.S. Fund with operating cash flow or disposition proceeds from the underlying real estate. We have not guaranteed the debt of the Archstone U.S. Fund, nor do we have any obligation to fund this debt should the Archstone U.S. Fund be unable to do so.

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· *Archstone Multifamily Partners AC JV LP* (the "*AC JV*") is a joint venture in which we assumed Archstone's 20% ownership interest. The AC JV was formed in 2011 and as of June 30, 2013 owned two operating communities, containing 818 apartment homes in Cambridge, MA and Herndon, VA. The AC JV partnership agreement contains provisions that require the Company to provide a right of first offer ("ROFO") to the AC JV in connection with additional opportunities to acquire or develop additional interests in multifamily real estate assets within a specified geographic radius of the two existing assets, generally one mile or less. We own two land parcels for the development of 444 apartment homes, classified as Development Rights in Cambridge, MA acquired as part of the Archstone Acquisition that are subject to the ROFO restrictions. The ROFO restrictions expire in 2019.

As of June 30, 2013, subsidiaries of the AC JV have eight unsecured loans outstanding in the aggregate of $162,300,000 which mature in July 2021, and which were made by the investors in the venture, including us, in proportion to the investors' respective equity ownership interest. The unsecured loans are payable by the subsidiaries of the AC JV with operating cash flow from the venture. We have not guaranteed the debt of the AC JV, nor do we have any obligation to fund this debt should the AC JV be unable to do so.

· *Brandywine Apartments of Maryland, LLC ("Brandywine")* — Brandywine owns a 305 apartment home community located in Washington, DC. The community is managed by a third party. Brandywine is comprised of five members who hold various interests in the joint venture. In conjunction with the Archstone Acquisition, we assumed a 26.1% equity interest in the venture, and subsequently purchased an additional 2.6% interest, and as of June 30, 2013, hold a 28.7% equity interest in the venture.

Brandywine has an outstanding $25,000,000 fixed rate mortgage loan that is payable by the venture. We have not guaranteed the debt of Brandywine, nor do we have any obligation to fund this debt should Brandywine be unable to do so.

· Additionally, through subsidiaries we and Equity entered into three limited liability company agreements (collectively, the "Residual JV") through which we and Equity acquired (i) certain assets of Archstone that we and Equity plan to divest (to third parties or to us or Equity) over time (the "Residual Assets"), and (ii) various liabilities of Archstone that we and Equity agreed to assume in conjunction with the Archstone Acquisition (the "Residual Liabilities"). The Residual Assets include interests in apartment communities in Germany (including through a fund which Archstone managed), a 20.0% interest in a joint venture which owns and manages six apartment communities with 1,902 apartment homes in the United States, two land parcels, and various licenses, insurance policies, contracts, office leases and other miscellaneous assets. The Residual Liabilities include most existing or future litigation and claims related to Archstone's operations for periods before the close of the Archstone Acquisition, except for (i) claims that principally relate to the physical condition of the assets acquired directly by us or Equity, which generally remain the sole responsibility of us or Equity, as applicable, and (ii) certain tax and other litigation between Archstone and various equity holders in Archstone related to periods before the close of the Archstone Acquisition, and claims which may arise due to changes in the capital structure of Archstone that occurred prior to closing, for which

Lehman has agreed to indemnify us and Equity. We and Equity jointly control the Residual JV and we hold a 40% economic interest in the assets and liabilities of the Residual JV.

There are no other lines of credit, side agreements, financial guarantees or any other derivative financial instruments related to or between our unconsolidated real estate entities and us. In evaluating our capital structure and overall leverage, management takes into consideration our proportionate share of this unconsolidated debt.

Contractual Obligations

We currently have contractual obligations consisting primarily of long-term debt obligations, including the net indebtedness assumed as part of the Archstone Acquisition, and lease obligations for certain land parcels and regional and administrative office space.

Development Communities

As of June 30, 2013, we had 27 Development Communities under construction. We expect these Development Communities, when completed, to add a total of 7,935 apartment homes to our portfolio for a total capitalized cost, including land acquisition costs, of approximately $2,213,900,000. We cannot assure you that we will meet our schedule for construction completion or that we will meet our budgeted costs, either individually or in the aggregate. You should carefully review Item 1a., "Risk Factors," of our Form 10-K for a discussion of the risks associated with development activity.

The following table presents a summary of the Development Communities. We hold a direct or indirect fee simple ownership interest in these communities.

		Number of apartment homes	Total capitalized cost (1) ($ millions)	Construction start	Initial occupancy (2)	Estimated completion	Estimated stabilization (3)
1.	Avalon Somerset *Somerset, NJ*	384	$ 78.5	Q4 2011	Q3 2012	Q4 2013	Q2 2014
2.	Avalon Shelton III *Shelton, CT*	250	47.9	Q3 2011	Q1 2013	Q3 2013	Q1 2014
3.	Archstone Toscano *Houston, TX*	474	90.2	Q2 2011	Q1 2013	Q4 2013	Q2 2014
4.	Avalon Natick *Natick, MA*	407	82.0	Q4 2011	Q1 2013	Q4 2013	Q2 2014
5.	Avalon Hackensack *Hackensack, NJ*	226	46.4	Q3 2011	Q2 2013	Q4 2013	Q2 2014
6.	Avalon East Norwalk *Norwalk, CT*	240	45.5	Q2 2012	Q2 2013	Q1 2014	Q3 2014
7.	AVA University District *Seattle, WA*	283	76.7	Q2 2012	Q3 2013	Q3 2014	Q1 2015
8.	Avalon Bloomingdale *Bloomingdale, NJ*	174	32.2	Q3 2012	Q3 2013	Q1 2014	Q3 2014
9.	Avalon Exeter *Boston, MA*	187	120.0	Q2 2011	Q1 2014	Q2 2014	Q4 2014
10.	Avalon West Chelsea/AVA High Line *New York, NY*	715	276.1	Q4 2011	Q4 2013	Q1 2015	Q3 2015
11.	Avalon Mosaic *Tysons Corner, VA*	531	120.9	Q1 2012	Q4 2013	Q3 2014	Q1 2015
12.	Avalon Dublin Station II *Dublin, CA*	253	76.0	Q2 2012	Q4 2013	Q2 2014	Q4 2014
13.	Avalon/AVA Assembly Row *Somerville, MA*	448	113.5	Q2 2012	Q4 2013	Q3 2014	Q1 2015
14.	Archstone Parkland Gardens *Arlington, VA*	228	87.2	Q2 2012	Q4 2013	Q3 2014	Q1 2015
15.	Avalon Morrison Park *San Jose, CA*	250	79.7	Q3 2012	Q1 2014	Q3 2014	Q1 2015
16.	Archstone Memorial Heights Phase I *Houston, TX*	318	54.9	Q3 2012	Q1 2014	Q3 2014	Q1 2015
17.	AVA 55 Ninth *San Francisco, CA*	273	123.3	Q3 2012	Q2 2014	Q4 2014	Q2 2015
18.	Archstone Berkeley on Addison *Berkeley, CA*	94	30.2	Q3 2012	Q2 2014	Q3 2014	Q4 2014
19.	Archstone West Valley Expansion *San Jose, CA*	84	19.4	Q4 2012	Q1 2014	Q1 2014	Q3 2014
20.	Avalon Ossining *Ossining, NY*	168	37.4	Q4 2012	Q2 2014	Q3 2014	Q1 2015
21.	AVA Little Tokyo *Los Angeles, CA*	280	109.8	Q4 2012	Q3 2014	Q2 2015	Q4 2015
22.	Avalon Wharton *Wharton, NJ*	248	55.6	Q4 2012	Q1 2015	Q3 2015	Q1 2016
23.	Avalon Huntington Station *Huntington Station, NY*	303	83.3	Q1 2013	Q2 2014	Q1 2015	Q3 2015

24.	AVA Stuart Street *Boston, MA*	398	175.7	Q1 2013	Q1 2015	Q3 2015	Q1 2016
25.	Avalon Canton *Canton, MA*	196	40.9	Q2 2013	Q2 2014	Q4 2014	Q2 2015
26.	Avalon Alderwood I *Lynnwood, WA*	367	69.2	Q2 2013	Q3 2014	Q2 2015	Q4 2015
27.	Avalon San Dimas *San Dimas, CA*	156	41.4	Q2 2013	Q4 2014	Q1 2015	Q3 2015
	Total	7,935	$ 2,213.9				

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(1) Total capitalized cost includes all capitalized costs projected to be or actually incurred to develop the respective Development Community, determined in accordance with GAAP, including land acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees. Total capitalized cost for communities identified as having joint venture ownership, either during construction or upon construction completion, represents the total projected joint venture contribution amount.

(2) Future initial occupancy dates are estimates. There can be no assurance that we will pursue to completion any or all of these proposed developments.

(3) Stabilized operations is defined as the earlier of (i) attainment of 95% or greater physical occupancy or (ii) the one-year anniversary of completion of development.

The Company anticipates commencing the construction of eleven apartment communities during the balance of 2013, which if completed as expected, will contain 3,002 apartment homes and be constructed for a total capitalized cost of $1,087,900,000. Included in the expected construction starts is a Development Community in Brooklyn, NY, which if constructed as expected will contain 826 apartment homes at a total capitalized cost of $444,900,000.

Redevelopment Communities

As of June 30, 2013, there were six communities under redevelopment. We expect the total capitalized cost to redevelop these communities to be $60,900,000 excluding costs prior to redevelopment. We have found that the cost to redevelop an existing apartment community is more difficult to budget and estimate than the cost to develop a new community. Accordingly, we expect that actual costs may vary from our budget by a wider percentage than for a new development community. We cannot assure you that we will meet our schedule for reconstruction completion or increasing operations, or that we will meet our budgeted costs, either individually or in the aggregate. We anticipate maintaining or increasing our current level of redevelopment activity related to communities in our current operating portfolio for the remainder of 2013. You should carefully review Item 1a., "Risk Factors," of our Form 10-K for a discussion of the risks associated with redevelopment activity.

The following presents a summary of these Redevelopment Communities:

		Number of apartment homes	Total capitalized cost (1) ($ millions)	Reconstruction Start	Estimated reconstruction completion	Estimated restabilized operations (2)
1.	Avalon Bronxville *Bronxville, NY*	110	$ 8.3	Q3 2012	Q3 2013	Q4 2013
2.	AVA Burbank *Burbank, CA*	748	19.3	Q4 2012	Q4 2014	Q1 2015
3.	Avalon Campbell *Campbell, CA*	348	12.4	Q4 2012	Q2 2014	Q3 2014
4.	Avalon at Fairway Hills (3) *Columbia, MD*	720	5.8	Q4 2012	Q4 2013	N/A
5.	Eaves Stamford *Stamford, CT*	238	9.5	Q1 2013	Q1 2014	Q3 2014
6.	AVA Pasadena *Pasadena, CA*	84	5.6	Q2 2013	Q3 2014	Q1 2015
	Total (4) (5)	2,248	$ 60.9			

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(1) Total capitalized cost does not include capitalized costs incurred prior to redevelopment.

(2) Restabilized operations is defined as the earlier of (i) attainment of 95% or greater physical occupancy or (ii) the one-year anniversary of completion of redevelopment.

(3) The redevelopment of this community is primarily focused on the exterior and/or common area. While apartment homes are not being turned, there is expected to be a material impact on community operations and therefore, this community is excluded from the Established Community portfolio and classified as a Redevelopment Community.

(4) The Company commenced the redevelopment of AVA Back Bay in Boston, MA during the first quarter of 2013 for an estimated total capitalized cost of $16.9 million. The redevelopment of this community is primarily focused on the exterior and/or common area and is not expected to have a material impact on community operations. This community is therefore included in the Established Community portfolio and not classified as a Redevelopment Community.

(5) The Company assumed responsibility for the redevelopment of Marina Bay, comprised of 205 apartment homes and 229 boat slips, in conjunction with the Archstone Acquisition. Marina Bay, located in Marina del Rey, CA is owned by the Archstone U.S. Fund, in which the Company holds a 28.6% interest, and is being redeveloped for an estimated total capitalized cost of $32.9 million. All capital necessary for the redevelopment of Marina Bay was contributed to the venture prior to the Company acquiring an interest in the venture.

Development Rights

At June 30, 2013, we had $409,930,000 in acquisition and related capitalized costs for land parcels we own, and $37,260,000 in capitalized costs (including legal fees, design fees and related overhead costs) related to Development Rights for which we control the land parcel, typically through an option to purchase or lease the land. Collectively, the land held for development and associated costs for deferred development rights relate to 47 Development Rights for which we expect to develop new apartment communities in the future. The cumulative capitalized costs for land held for development as of June 30, 2013 includes $325,200,000 in original land acquisition costs. The Development Rights range from those beginning design and architectural planning to those that have completed site plans and drawings and can begin construction almost immediately. We estimate that the successful completion of all of these communities would ultimately add approximately 13,649 apartment homes to our portfolio. Substantially all of these apartment homes will offer features like those offered by the communities we currently own.

For 31 Development Rights, we control the land through an option to purchase or lease the parcel. While we generally prefer to hold Development Rights through options to acquire land, for the remaining 16 Development Rights we either currently own the land or have executed a long term land lease for the parcel of land on which a community would be built if we proceeded with development.

The properties comprising the Development Rights are in different stages of the due diligence and regulatory approval process. The decisions as to which of the Development Rights to invest in, if any, or to continue to pursue once an investment in a Development Right is made, are business judgments that we make after we perform financial, demographic and other analyses. In the event that we do not proceed with a Development Right, we generally would not recover any of the capitalized costs incurred in the pursuit of those communities, unless we were to recover amounts in connection with the sale of land; however, we cannot guarantee a recovery. Pre-development costs incurred in the pursuit of Development Rights for which future development is not yet considered probable are expensed as incurred. In addition, if the status of a Development Right changes, making future development no longer probable, any capitalized pre-development costs are charged to expense.

You should carefully review Section 1a., "Risk Factors," of our Form 10-K for a discussion of the risks associated with Development Rights.

Market	Number of rights	Estimated number of homes	Total capitalized cost ($ millions) (1)
Boston, MA	7	2,196	$ 656
Fairfield-New Haven, CT	2	290	68
New York City	1	826	445
New York Suburban	4	864	276
New Jersey	11	2,793	624
Baltimore, MD	1	343	75
Washington, DC Metro	7	2,370	614
Seattle, WA	4	1,143	308
Oakland-East Bay, CA	2	486	172
San Francisco, CA	2	520	256
Orange County, CA	3	970	298
Los Angeles, CA	2	627	222
San Diego, CA	1	221	55
Total	47	13,649	$ 4,069

(1) Total capitalized cost includes all capitalized costs incurred to date (if any) and projected to be incurred to develop the respective community, determined in accordance with GAAP, including land acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees.

Land Acquisitions

During the second quarter of 2013, we acquired five land parcels for development for an aggregate purchase price of $70,187,000. We have started or expect to commence construction on all five land parcels in 2013.

Other Land and Real Estate Assets

We own land parcels with a carrying value of approximately $24,163,000 that we do not currently plan to develop. These parcels consist of land that we (i) originally planned to develop and (ii) ancillary parcels acquired in connection with Development Rights that we had not planned to develop. We believe that the current carrying value for all of these land parcels is such that there is no indication of impaired value, or further need to record a charge for impairment in the case of assets previously impaired. However, we may be subject to the recognition of further charges for impairment in the event that there are indicators of such impairment and we determine that the carrying value of the assets is greater than the current fair value, less costs to dispose.

Insurance and Risk of Uninsured Losses

We carry commercial general liability insurance and property insurance with respect to all of our communities. These policies, and other insurance policies we carry, have policy specifications, insured limits, deductibles and self insured retentions that we consider commercially reasonable. There are, however, certain types of losses (such as losses arising from acts of war) that are not insured, in full or in part, because they are either uninsurable or the cost of insurance makes it, in management's view, economically impractical. You should carefully review the discussion under Item 1a., "Risk Factors," of our Form 10-K for a discussion of risks associated with an uninsured property or liability loss.

Many of our West Coast communities are located in the general vicinity of active earthquake faults. Many of our communities are near, and thus susceptible to, the major fault lines in California, including the San Andreas Fault and the Hayward Fault. We cannot assure you that an earthquake would not cause damage or losses greater than insured levels. We have in place with respect to communities located in California and Washington, for any single occurrence and in the aggregate, $150,000,000 of coverage. Earthquake coverage outside of California and Washington is subject to a $175,000,000 limit for each occurrence and in the aggregate. In California the deductible for each occurrence is five percent of the insured value of each damaged building. Our earthquake insurance outside of California provides for a $100,000 deductible per occurrence except that the next $350,000 of loss per occurrence outside California will be treated as an additional self-insured retention until the total incurred self-insured retention exceeds $1,000,000.

Just as with office buildings, transportation systems and government buildings, there have been reports that apartment communities could become targets of terrorism. In December 2007, Congress passed the Terrorism Risk Insurance Program Reauthorization Act ("TRIPRA") which is designed to make terrorism insurance available through a federal back-stop program until 2014. In connection with TRIPRA, we have purchased insurance for property damage due to terrorism up to $250,000,000. Additionally, we have purchased insurance for certain terrorist acts, not covered under TRIPRA, such as domestic-based terrorism. This insurance, often referred to as "non-certified" terrorism insurance, is subject to deductibles, limits and exclusions. Our general liability policy provides TRIPRA coverage (subject to deductibles and insured limits) for liability to third parties that result from terrorist acts at our communities.

Inflation and Deflation

Substantially all of our apartment leases are for a term of one year or less. In an inflationary environment, this may allow us to realize increased rents upon renewal of existing leases or the beginning of new leases. Short-term leases generally minimize our risk from the adverse effects of inflation, although these leases generally permit residents to leave at the end of the lease term and therefore expose us to the effect of a decline in market rents. Similarly, in a deflationary rent environment, we may be exposed to declining rents more quickly under these shorter-term leases.

Federal Income Tax Changes and Updates for the Archstone Acquisition

The following discussion updates the disclosures under "Risk Factors" and "Federal Income Tax Considerations and Consequences of Your Investment" in the prospectus dated February 27, 2012 contained in our Registration Statement on Form S-3 filed with the SEC on February 27, 2012 and in our other registration statements into which this Quarterly Report on Form 10-Q is incorporated by reference. Unless otherwise indicated, capitalized terms used in this section without definitions have the meanings provided in our Current Report on Form 8-K filed with the SEC on March 5, 2013, as amended by our Current Report on Form 8-K/A filed with the SEC on March 7, 2013.

Risk Factors

The section captioned "*Risk Factors — Failure to qualify as a REIT would cause us to be taxed as a corporation, which would significantly reduce funds available for distribution to stockholders*" is replaced in its entirety by the following:

If we fail to qualify as a REIT for federal income tax purposes, we will be subject to federal income tax on our taxable income at regular corporate rates (subject to any applicable alternative minimum tax). In addition, unless we are entitled to relief under applicable statutory provisions, we would be ineligible to make an election for treatment as a REIT for the four taxable years following the year in which we lose our qualification. The additional tax liability resulting from the failure to qualify as a REIT would significantly reduce or eliminate the amount of funds available for distribution to our stockholders. Furthermore, we would no longer be required to make distributions to our stockholders. Thus, our failure to qualify as a REIT could also impair our ability to expand our business and raise capital, and would adversely affect the value of our common stock.

We believe that we are organized and qualified as a REIT, and we intend to operate in a manner that will allow us to continue to qualify as a REIT. However, we cannot assure you that we are qualified as a REIT, or that we will remain qualified in the future. This is because qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code for which there are only limited judicial and administrative interpretations and involves the determination of a variety of factual matters and circumstances not entirely within our control. In addition, future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT for federal income tax purposes or the federal income tax consequences of this qualification.

The Archstone Acquisition presents additional risks to our qualification as a REIT. Although we believe we have structured our ownership of the assets and entities acquired in connection with the Archstone Acquisition, and will be able to operate such assets and entities, in a way that will allow us to continue to qualify as a REIT for federal income tax purposes, no assurances can be given that we will be successful. Our on-going integration of the assets and entities comprising the Archstone Acquisition may reveal non-qualifying assets or income not previously accounted for. Among the assets included in the Archstone Acquisition are subsidiaries intended to qualify as REITs. Our REIT qualification could depend in part on such subsidiaries' compliance with the REIT requirements before our purchase.

The assets of one of our joint ventures with Equity Residential include indirect interests in partnerships controlled by Equity Residential. For purposes of our compliance with the REIT asset and gross income requirements, we will be treated as owning our proportionate share of the assets of the Equity Residential partnerships in which the joint venture has an interest. Although Equity Residential has agreed to operate those partnerships in compliance with the REIT requirements, we cannot assure you that such Equity

Residential partnerships will be operated in compliance with the REIT requirements. Failure by those partnerships to comply with the REIT requirements could potentially jeopardize our REIT status.

Even if we qualify as a REIT, we will be subject to certain federal, state and local taxes on our income and property and on taxable income that we do not distribute to our shareholders. Our non-U.S. assets may be subject to foreign taxes. In addition, we may hold certain assets and engage in certain activities that a REIT could not engage in directly through our taxable REIT subsidiaries. We also use taxable REIT subsidiaries to hold certain assets that we believe would be subject to the 100% prohibited transaction tax if sold at a gain outside of a taxable REIT subsidiary. Our domestic taxable REIT subsidiaries are subject to U.S. tax as regular corporations. The Archstone Acquisition increased the amount of assets held through our taxable REIT subsidiaries.

Additional Disclosure Relating to Taxation of AvalonBay as a REIT

The section captioned "*Taxation of AvalonBay as a REIT — Ownership of Partnership Interests by a REIT*" is replaced in its entirety by the following:

Ownership of Partnership Interests by a REIT. A REIT that is a partner in a partnership (or a member in a limited liability company or other entity that is treated as a partnership for U.S. federal income tax purposes) will be deemed to own its proportionate share of the assets of the partnership and will be deemed to earn its proportionate share of the partnership's income. The assets and gross income of the partnership retain the same character in the hands of the REIT for purposes of the asset and gross income tests applicable to REITs as described below. Thus, our proportionate share of the assets and items of gross income of any entity taxable as a partnership for U.S. federal income tax purposes in which we hold an interest will be treated as our assets and liabilities and our items of income for purposes of applying the requirements described in this prospectus. The assets, liabilities and items of income of any partnership in which we own an interest include such entity's share of the assets and liabilities and items of income with respect to any partnership in which it holds an interest.

The assets of one of our joint ventures with Equity Residential include indirect interests in partnerships controlled by Equity Residential, and thus for purposes of our compliance with the REIT asset and gross income requirements we will be treated as owning our proportionate share of the assets and as receiving our proportionate share of gross income of the Equity Residential partnerships in which the joint venture has an interest. Although Equity Residential has agreed to operate those partnerships in compliance with the REIT requirements, we cannot assure you that such Equity Residential partnerships will be operated in compliance with the REIT requirements. Failure by those partnerships to comply with the REIT requirements could potentially jeopardize our REIT status.

The discussion above does not apply to our interest in any partnership or other unincorporated entity treated as a corporation for U.S. federal income tax purposes. If an entity that we treated as a partnership for U.S. federal income tax purposes and the REIT requirements were determined instead to be taxed as a corporation, we could fail one or more of the REIT income and asset tests described below. Generally, a domestic unincorporated entity with two or more owners is treated as a partnership for U.S. federal income tax purposes unless it affirmatively elects to be treated as a corporation. However, certain "publicly traded partnerships" are treated as corporations for U.S. federal income tax purposes. A "publicly traded partnership" is any partnership (i) the interests in which are traded on an established securities market or (ii) the interests in which are readily tradable on a "secondary market or the substantial equivalent thereof." However, under the relevant Treasury Regulations, interests in a partnership will not be considered readily tradable on a secondary market or on the substantial equivalent of a secondary market if the partnership qualifies for specified "safe harbors," which are based on the specific facts and circumstances relating to the partnership. Moreover, certain publicly traded partnerships will avoid being treated as a corporation for U.S. federal income tax purposes if the partnership derives at least 90% of its gross income from certain specified sources of "qualifying income." We do not believe that any of our direct or indirect subsidiary partnerships should be treated as corporations under the publicly traded partnership rules. However, a contrary determination could prevent us from qualifying as a REIT.

The fifth paragraph in the section captioned "*Taxation of AvalonBay as a REIT — Income Tests Applicable to REITs*" is replaced with the following:

As a result of the Archstone Acquisition we have increased the amount of assets and activities in our taxable REIT subsidiaries, and we may in the future acquire equity interests in additional taxable REIT subsidiaries. Taxable dividends from a taxable REIT subsidiary and gain from a sale or other taxable disposition of interests in a taxable REIT subsidiary will qualify under the 95% income test, but not the 75% income test. Our need to satisfy the 75% income test may adversely affect our ability to distribute earnings from, or dispose of our investment in, a taxable REIT subsidiary.

The following paragraph is added at the end of the section captioned "*Taxation of AvalonBay as a REIT — Asset Tests Applicable to REITs*":

Shares in other qualifying REITs are treated as "real estate assets" for purposes of the REIT assets tests, while shares of our taxable REIT subsidiaries do not qualify as "real estate assets."

Recent Federal Income Tax Legislation

Pursuant to recently enacted legislation, as of January 1, 2013, (1) the maximum tax rate on "qualified dividend income" for non-corporate taxpayers is 20%, (2) the maximum tax rate on long-term capital gain for non-corporate taxpayers is 20%, (3) the highest marginal non-corporate income tax rate is 39.6%, and (4) the backup withholding rate remains at 28%. Thus, references in the prospectus to "15% rate gain distributions" shall be replaced with references to "20% rate gain distributions," which are taxed to non-corporate U.S. shareholders at the new maximum 20% long-term capital gains rate. Recent legislation also temporarily (through 2013) reduces to five years the ten-year recognition period applicable to gain recognized on the disposition of an asset acquired from a C corporation in a carryover basis transaction, as well as makes permanent certain federal income tax provisions that were scheduled to expire on December 31, 2012.

Recent guidance from the IRS delays withholding under FATCA on withholdable payments to foreign financial institutions and non-financial foreign entities until after December 31, 2016 with respect to gross proceeds of a disposition of property that can produce U.S. source interest or dividends and certain other sources of income and after June 30, 2014 with respect to other withholdable payments.

We urge you to consult your tax advisors regarding the impact of this legislation on the purchase, ownership and sale of our common stock and debt securities.

Forward-Looking Statements

This Form 10-Q contains "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by our use of the words "believe," "expect," "anticipate," "intend," "estimate," "assume," "project," "plan," "may," "shall," "will" and other similar expressions in this Form 10-Q, that predict or indicate future events and trends and that do not report historical matters. These statements include, among other things, statements regarding our intent, belief or expectations with respect to:

- our potential development, redevelopment, acquisition or disposition of communities;
- the timing and cost of completion of apartment communities under construction, reconstruction, development or redevelopment;
- the timing of lease-up, occupancy and stabilization of apartment communities;
- the pursuit of land on which we are considering future development;
- the anticipated operating performance of our communities;
- cost, yield, revenue, NOI and earnings estimates;
- our declaration or payment of distributions;
- our joint venture and discretionary fund activities;
- our policies regarding investments, indebtedness, acquisitions, dispositions, financings and other matters;
- our qualification as a REIT under the Internal Revenue Code;
- the real estate markets in Northern and Southern California and markets in selected states in the Mid-Atlantic, New England, Metro New York/New Jersey and Pacific Northwest regions of the United States and in general;
- the availability of debt and equity financing;
- interest rates;
- general economic conditions including the potential impacts from the current economic conditions; and
- trends affecting our financial condition or results of operations.

We cannot assure the future results or outcome of the matters described in these statements; rather, these statements merely reflect our current expectations of the approximate outcomes of the matters discussed. We do not undertake a duty to update these forward-looking statements, and therefore they may not represent our estimates and assumptions after the date of this report. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. These risks, uncertainties and other factors may cause our actual results, performance or achievements to differ materially from the anticipated future results, performance or achievements expressed or implied by these forward-looking statements. You should carefully review the discussion under Item 1a., "Risk Factors," on our Form 10-K for a discussion of risks associated with forward-looking statements.

Some of the factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements include, but are not limited to, the following:

- we may fail to secure development opportunities due to an inability to reach agreements with third-parties to obtain land at attractive prices or to obtain desired zoning and other local approvals;
- we may abandon or defer development opportunities for a number of reasons, including changes in local market conditions which make development less desirable, increases in costs of development, increases in the cost of capital or lack of capital availability, resulting in losses;
- construction costs of a community may exceed our original estimates;
- we may not complete construction and lease-up of communities under development or redevelopment on schedule, resulting in increased interest costs and construction costs and a decrease in our expected rental revenues;
- occupancy rates and market rents may be adversely affected by competition and local economic and market conditions which are beyond our control;

- financing may not be available on favorable terms or at all, and our cash flows from operations and access to cost effective capital may be insufficient for the development of our pipeline which could limit our pursuit of opportunities;
- our cash flows may be insufficient to meet required payments of principal and interest, and we may be unable to refinance existing indebtedness or the terms of such refinancing may not be as favorable as the terms of existing indebtedness;
- we may be unsuccessful in our management of Fund I, Fund II, the Archstone U.S. Fund, the Archstone AC JV or the REIT vehicles that are used with each respective fund; and
- we may be unsuccessful in managing changes in our portfolio composition, including operating outside of our core markets as a result of the Archstone Acquisition.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, or different assumptions were made, it is possible that different accounting policies would have been applied, resulting in different financial results or a different presentation of our financial statements. Our critical accounting policies consist primarily of the following: (i) principles of consolidation, (ii) cost capitalization, (iii) asset impairment evaluation and (iv) REIT status. Our critical accounting policies and estimates have not changed materially from the discussion of our significant accounting policies found in Management's Discussion and Analysis and Results of Operations in our Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks from our financial instruments primarily from changes in market interest rates. We do not have exposure to any other significant market risk. We monitor interest rate risk as an integral part of our overall risk management, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effect on our results of operations. Our operating results are affected by changes in interest rates, primarily in short-term LIBOR and the SIFMA index as a result of borrowings under our Credit Facility and outstanding bonds with variable interest rates. In addition, the fair value of our fixed rate unsecured and secured notes are impacted by changes in market interest rates. The effect of interest rate fluctuations on our results of operations historically has been small relative to other factors affecting operating results, such as rental rates and occupancy.

In conjunction with the Archstone Acquisition, we assumed approximately $2,034,000,000 secured fixed and floating rate indebtedness, which impacted the Company's overall exposure to interest rate risk. We had $1,153,709,000 and $476,935,000 in variable rate debt outstanding, including amounts outstanding under our Credit Facility, as of June 30, 2013 and December 31, 2012, respectively. During the six months ended June 30, 2013, a $215,000,000 forward interest rate protection agreement matured, resulting in a payment to the counterparty of $51,000,000, the fair value at time of settlement.

In addition, changes in interest rates affect the fair value of our fixed rate debt, computed using a discounted cash flow model considering our current market yields, which impacts the fair value of our aggregate indebtedness. Debt securities and notes payable (including amounts outstanding under our Credit Facility) with an aggregate carrying value of $5,576,030,000 at June 30, 2013 had an estimated aggregate fair value of $5,868,176,000 at June 30, 2013. Contractual fixed rate debt represented $4,821,157,000 of the fair value at June 30, 2013. If interest rates had been 100 basis points higher as of June 30, 2013, the fair value of this fixed rate debt would have decreased by approximately $471,532,000.

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Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2013. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.

We continue to review and document our disclosure controls and procedures, including our internal controls and procedures for financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business.

(b) Changes in internal controls over financial reporting.

None.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various claims and/or administrative proceedings that arise in the ordinary course of our business. While no assurances can be given, the Company does not believe that any of these outstanding litigation matters, individually or in the aggregate, will have a material adverse effect on its financial condition or its results of operations.

Item 1a. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors which could materially affect our business, financial condition or future results discussed in the Form 10-K in Part I, "Item 1a. Risk Factors." The risks described in our Form 10-K are not the only risks that could affect the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results in the future. Except as noted under Item 2. " Management's Discussion and Analysis of Financial Condition and Results of Operations — Federal Income Tax Changes and Updates for the Archstone Acquisition," there have been no material changes to our risk factors since December 31, 2012.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Issuer Purchases of Equity Securities

Period	**(a) Total Number of Shares Purchased (1)**	**(b) Average Price Paid per Share**	**(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**(d) Maximum Dollar Amount that May Yet be Purchased Under the Plans or Programs (in thousands) (2)**
April 1 — April 30, 2013	2,629	$ 128.09	—	200,000
May 1 — May 31, 2013	11,739	$ 138.56	—	200,000
June 1 — June 30, 2013	635	$ 133.54	—	200,000

(1) Reflects shares surrendered to the Company in connection with exercise of stock options as payment of exercise price, as well as for taxes associated with the vesting of restricted share grants.

(2) As disclosed in our Form 10-Q for the quarter ended March 31, 2008, represents amounts outstanding under the Company's $500,000,000 Stock Repurchase Program. There is no scheduled expiration date to this program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None.

Item 6. Exhibits

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Exhibit No.		Description
3(i).1	—	Articles of Amendment and Restatement of Articles of Incorporation of AvalonBay Communities (the “Company”), dated as of June 4, 1998. (Incorporated by reference to Exhibit 3(i).1 to Form 10-K of the Company filed on March 1, 2007.)
3(i).2	—	Articles of Amendment, dated as of October 2, 1998. (Incorporated by reference to Exhibit 3(i).2 to Form 10-K of the Company filed on March 1, 2007.)
3(i).3	—	Articles of Amendment, dated as of May 22, 2013. (Incorporated by reference to Exhibit 3(i).3 to Form 8-K of the Company filed on May 22, 2013.)
3(ii).1	—	Amended and Restated Bylaws of the Company, as adopted by the Board of Directors on May 21, 2009. (Incorporated by reference to Exhibit 3(ii).1 to Form 10-Q of the Company filed November 2, 2012.)
3(ii).2	—	Amendment to Amended and Restated Bylaws of the Company, dated February 10, 2010. (Incorporated by reference to Exhibit 3(ii).2 to Form 10-Q of the Company filed November 2, 2012.)
3(ii).3	—	Amendment to Amended and Restated Bylaws of the Company, dated September 19, 2012. (Incorporated by reference to Exhibit 3.2 to Form 8-K of the Company filed September 20, 2012.)
4.1	—	Indenture for Senior Debt Securities, dated as of January 16, 1998, between the Company and State Street Bank and Trust Company, as Trustee. (Incorporated by reference to Exhibit 4.1 to Registration Statement on form S-3 of the Company (File No. 333-139839), filed January 8, 2007.)
4.2	—	First Supplemental Indenture, dated as of January 20, 1998, between the Company and the State Street Bank and Trust Company as Trustee. (Incorporated by reference to Exhibit 4.2 to Registration Statement on Form S-3 of the Company (File No. 333-139839), filed January 8, 2007.)
4.3	—	Second Supplemental Indenture, dated as of July 7, 1998, between the Company and State Street Bank and Trust Company as Trustee. (Incorporated by reference to Exhibit 4.3 to Registration Statement on Form S-3 of the Company (File No. 333-139839), filed January 8, 2007.)
4.4	—	Amended and Restated Third Supplemental Indenture, dated as of July 10, 2000 between the Company and State Street Bank and Trust Company as Trustee. (Incorporated by reference to Exhibit 4.4 to Registration Statement on Form S-3 of the Company (File No. 333-139839), filed January 8, 2007.)
4.5	—	Fourth Supplemental Indenture, dated as of September 18, 2006 between the Company and U.S. Bank National Association as Trustee. (Incorporated by reference to Exhibit 4.5 to Registration Statement on Form S-3 of the Company (File No. 333-139839), filed January 8, 2007.)
4.6	—	Dividend Reinvestment and Stock Purchase Plan of the Company. (Incorporated by reference to Exhibit 8.1 to Registration Statement on Form S-3 of the Company (File No. 333-87063), filed September 14, 1999.)
4.7	—	Amendment to the Company’s Dividend Reinvestment and Stock Purchase Plan filed on December 17, 1999. (Incorporated by reference to the Prospectus Supplement filed pursuant to Rule 424(b)(2) of the Securities Act of 1933 on December 17, 1999.)
4.8	—	Amendment to the Company’s Dividend Reinvestment and Stock Purchase Plan filed on March 26, 2004. (Incorporated by reference to the Prospectus Supplement filed pursuant to Rule 424(b)(3) of the Securities Act of 1933 on March 26, 2004.)

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4.9	—	Amendment to the Company’s Dividend Reinvestment and Stock Purchase Plan filed on May 15, 2006. (Incorporated by references to the Prospectus Supplement filed pursuant to Rule 424(b)(3) of the Securities Act of 1933 on May 15, 2006.)
10.1	—	Form of Indemnity Agreement between the Company and its Directors. (Filed herewith.)
12.1	—	Statements re: Computation of Ratios. (Filed herewith.)
31.1	—	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer). (Filed herewith.)
31.2	—	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer). (Filed herewith.)
32	—	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer and Chief Financial Officer). (Furnished herewith.)
101	—	XBRL (Extensible Business Reporting Language). The following materials from AvalonBay Communities, Inc.’s Quarterly Report on form 10-Q for the period ended June 30, 2013, formatted in XBRL: (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of comprehensive income, (iii) condensed consolidated statements of cash flows, and (iv) notes to condensed consolidated financial statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AVALONBAY COMMUNITIES, INC.

Date: August 2, 2013	/s/ Timothy J. Naughton Timothy J. Naughton Chairman and Chief Executive Officer (Principal Executive Officer)
Date: August 2, 2013	/s/ Thomas J. Sargeant Thomas J. Sargeant Chief Financial Officer (Principal Financial Officer)

Exhibit 10.1

INDEMNITY AGREEMENT

[The Company has entered into an Indemnity Agreement with each of its Directors in substantially the following form as of the following dates: Glyn F. Aeppel — May 22, 2013; Alan B. Buckelew — September 13, 2011; Bruce A. Choate — October 30, 1998; John J. Healy, Jr. — October 30, 1998; Timothy J. Naughton — November 7, 2005; Lance R. Primis — October 30, 1998; Peter S. Rummell — September 18, 2007; H. Jay Sarles — November 7, 2005; and W. Edward Walter — September 16, 2008.]

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

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

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

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

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

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

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

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1. Certain Definitions.

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

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

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

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

(iv) Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because twenty percent (20%) or more of the then outstanding Voting Securities is acquired by (i) a trustee or other fiduciary holding securities under one or more employee benefit plans maintained by the Company or any of its subsidiaries or (ii) any corporation which, immediately prior to such acquisition, is owned directly or indirectly by the shareholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition. Nor shall a Change in Control be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of 20% or more of the outstanding Voting Securities as a result of the subsequent acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by the

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Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

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

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

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

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

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

2. Indemnification; Expenses; Procedure.

(a) Basic Indemnification Agreement. In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee (without regard to the negligence or other fault of the Indemnitee) to the fullest extent permitted by applicable law, as soon as practicable but in no event later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties, excise taxes and amounts paid or to be paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties, excise taxes or amounts paid or to be paid in settlement) of or in connection with such Claim, provided, however, that the

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

(b) Advancement of Expenses. Notwithstanding anything in the Articles, the Bylaws or this Agreement to the contrary, if so requested by Indemnitee, the Company shall advance (within ten business days of such request) any and all Expenses relating to a Claim to Indemnitee (an "Expense Advance"), upon the receipt of a written undertaking by or on behalf of Indemnitee (and without regard to any determination of Indemnitee's financial ability to repay such Expense Advance) to repay such Expense Advance if a judgment or other final adjudication adverse to Indemnitee establishes that Indemnitee, with respect to such Claim, is not eligible for indemnification.

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

Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

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

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

3. Change in Control. The Company agrees that if there is a Change in Control, Indemnitee, by giving written notice to the Company and the American Arbitration Association (the "Notice"), may require that any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration (the "Arbitration") in San Jose, California or, at the election of the Indemnitee, Alexandria, Virginia, in accordance with the Rules of the American Arbitration Association (the "Rules"). The Arbitration shall be conducted by a panel of three arbitrators selected in accordance with the Rules within thirty days of delivery

of the Notice. The decision of the panel shall be made as soon as practicable after the panel has been selected, and the parties agree to use their reasonable efforts to cause the panel to deliver its decision within ninety days of its selection. The Company shall pay all fees and expenses of the Arbitration. The Arbitration shall be conclusive and binding on the Company and Indemnitee, and the Company or Indemnitee may cause judgment upon the award rendered by the arbitrators to be entered in any court having jurisdiction thereof.

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

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

6. Partial Indemnity, Etc. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties, excise taxes and amounts paid or to be paid in settlement of a Claim but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify

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

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

8. Contribution. In the event that the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any Claim relating to an Indemnifiable Event, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such action by Board Action or Arbitration or by the court before which such action was brought in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event (s) and/or transaction (s) giving cause to such action; and/or (ii) the relative fault of the Company (and its other directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s). Indemnitee's right to contribution under this Section 8 shall be determined in accordance with, pursuant to and in the same manner as, the provisions in Sections 2 and 3 hereof relating to Indemnitee's right to indemnification under this Agreement.

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

10. Non-exclusivity, Etc. The rights of the Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Articles or Bylaws or applicable law, and nothing herein shall be deemed to diminish or otherwise restrict Indemnitee's right to indemnification under any such other provision. To the extent applicable law or the Articles or the Bylaws of Company, as in effect on the date hereof or at any time in the future, permit greater indemnification than as provided for in this

Agreement, the parties hereto agree that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such law or provision of the Articles or Bylaws and this Agreement shall be deemed amended without any further action by the Company or Indemnitee to grant such greater benefits. Indemnitee may elect to have Indemnitee's rights hereunder interpreted on the basis of applicable law in affect at the time of execution of this Agreement, at the time of the occurrence of the Indemnifiable Event giving rise to a claim or at the time indemnification is sought.

11. Liability Insurance.

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

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

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

13. Amendments Etc. Except as provided in Section 10 hereof, no supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed

or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

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

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

16. Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable against and by the parties hereto and their respective successors, assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company), spouses, heirs and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place, but the absence of any such writing shall not be a defense to any claim for indemnity made hereunder. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director and/or officer of the Company or of any other enterprise at the Company's request.

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

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

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

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

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

(a) If to Indemnitee, to:

[NAME OF DIRECTOR]
[ADDRESS]

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

(b) If to the Company, to:

AvalonBay Communities, Inc.
[ADDRESS]
ATTN: Secretary

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

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

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

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

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

AVALONBAY COMMUNITIES, INC.

By: ______________________________
Name:
Title:

INDEMNITEE

____
Name:

Exhibit 12.1

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

	Six Months Ended June 30, 2013	Year Ended December 31, 2012 (1)	Year Ended December 31, 2011 (1)	Year Ended December 31, 2010 (1)	Year Ended December 31, 2009 (1)
Income (loss) from continuing operations before cumulative effect of change in accounting principle	$ (9,997)	$ 262,432	$ 150,841	$ 90,929	$ 69,128
(Plus):					
Equity in income of unconsolidated entities, net of distributions received	39,442	11,170	618	4,856	5,475
Amortization of capitalized interest (2)	9,464	17,929	16,277	15,149	14,035
Earnings before fixed charges	$ 38,909	$ 291,531	$ 167,736	$ 110,934	$ 88,638
(Plus) Fixed charges:					
Portion of rents representative of the interest factor	$ 3,189	$ 6,873	$ 6,933	$ 11,785	$ 6,241
Interest expense	81,342	136,920	167,814	169,997	145,090
Interest capitalized	29,964	49,556	33,863	33,393	48,226
Preferred dividend	—	—	—	—	—
Total fixed charges (3)	$ 114,495	$ 193,349	$ 208,610	$ 215,175	$ 199,557
(Less):					
Interest capitalized	29,964	49,556	33,863	33,393	48,226
Preferred dividend	—	—	—	—	—
Earnings (4)	$ 123,440	$ 435,324	$ 342,483	$ 292,716	$ 239,969
Ratio (4 divided by 3)	1.08	2.25	1.64	1.36	1.20

AVALONBAY COMMUNITIES, INC.
RATIOS OF EARNINGS TO FIXED CHARGES

	Six Months Ended June 30, 2013	Year Ended December 31, 2012 (1)	Year Ended December 31, 2011 (1)	Year Ended December 31, 2010 (1)	Year Ended December 31, 2009 (1)
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(Plus):					
Equity in income of unconsolidated entities, net of distributions received	39,442	11,170	618	4,856	5,475
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Earnings (4)	$ 123,440	$ 435,324	$ 342,483	$ 292,716	$ 239,969
Ratio (4 divided by 3)	1.08	2.25	1.64	1.36	1.20

(1) The results of operations for 2009 through 2012 have been adjusted to reflect discontinued operations for properties sold or held for sale as of June 30, 2013.

(2) Represents an estimate of capitalized interest costs based on the Company's established depreciation policy and an analysis of interest costs capitalized since 1998 (the year in which AvalonBay was formed).

CERTIFICATION

I, Timothy J. Naughton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AvalonBay Communities, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2013

/s/ Timothy J. Naughton
Timothy J. Naughton
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Thomas J. Sargeant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AvalonBay Communities, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2013

/s/ Thomas J. Sargeant
Thomas J. Sargeant
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

CERTIFICATION

The undersigned officers of AvalonBay Communities, Inc. (the “Company”) hereby certify that the Company’s quarterly report on Form 10-Q to which this certification is attached (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2013

/s/ Timothy J. Naughton
Timothy J. Naughton
Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/ Thomas J. Sargeant
Thomas J. Sargeant
Chief Financial Officer
(Principal Financial Officer)

This certification is being furnished and not filed, and shall not be incorporated into any document for any purpose, under the Securities Exchange Act of 1934 or the Securities Act of 1933.