

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

OMB APPROVAL

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP**

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person* <u>Dunn Lili F</u>  (Last) (First) (Middle) <u>2900 EISENHOWER AVE., SUITE 300</u>  (Street) <u>ALEXANDRIA VA 22314</u>  (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>AVALONBAY COMMUNITIES INC [ AVB ]</u>	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below)  <u>Senior Vice President</u>
	3. Date of Earliest Transaction (Month/Day/Year) <u>08/03/2006</u>	
	4. If Amendment, Date of Original Filed (Month/Day/Year)	6. Individual or Joint/Group Filing (Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person <input type="checkbox"/> Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, par value \$.01 per share	08/03/2006		M		1,000	A	\$33.75	36,578.259 <sup>(1)</sup>	D	
Common Stock, par value \$.01 per share	08/03/2006		S		1,000	D	\$116.5	35,578.259 <sup>(1)</sup>	D	
Common Stock, par value \$.01 per share	08/03/2006		M		4,000	A	\$45.95	39,578.259 <sup>(1)</sup>	D	
Common Stock, par value \$.01 per share	08/03/2006		S		4,000	D	\$116.5	35,578.259 <sup>(1)</sup>	D	

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date						Title
Stock Options (Right to Buy)	\$33.75	08/03/2006		M			1,000	02/28/2001 <sup>(2)</sup>	02/28/2010	Common Stock	1,000	\$0.00 <sup>(2)</sup>	80,682 <sup>(3)</sup>	D	
Stock Options (Right to Buy)	\$45.95	08/03/2006		M			4,000	02/13/2002 <sup>(4)</sup>	02/13/2011	Common Stock	4,000	\$0.00 <sup>(4)</sup>	76,682 <sup>(5)</sup>	D	

**Explanation of Responses:**

- The amount of securities owned following the reported transaction reflects direct ownership of all shares of common stock, including restricted shares.
- The options exercised were included in options granted under the issuer's stock option and incentive plan on February 28, 2000, which became exercisable in three equal annual installments beginning on February 28, 2001.
- The number of derivative securities beneficially owned following the reported transaction includes options granted in various periods with varying exercise prices and vesting dates. Following the reported transaction the reporting person holds no more options that expire on February 28, 2010 with an exercise price of \$33.75.
- The options exercised were included in options granted under the issuer's stock option and incentive plan on February 13, 2001, which became exercisable in three equal annual installments beginning on February 13, 2002.
- The number of derivative securities beneficially owned following the reported transaction includes options granted in various periods with varying exercise prices and vesting dates. Following the reported transaction the reporting person holds 8500 options that expire on February 13, 2011 with an exercise price of \$45.95.

**Remarks:**

Edward M. Schulman, as attorney-in-fact under Power of Attorney dated March 7, 2005 08/04/2006

\*\* Signature of Reporting Person Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

\* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.