AVALONBAY COMMUNITIES INC
Form 10-K
February 22, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year ended December 31, 2012

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)	(IRS Employer Identification No.)

Ballston Tower
671 N. Glebe Rd, Suite 800
Arlington, Virginia 22203
(Address of principal executive offices)
(703) 329-6300
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of each exchange on which registered
Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

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 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the 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 ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	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 ý

The aggregate market value of the registrant's Common Stock, par value $.01 per share, held by nonaffiliates of the registrant, as of June 29, 2012 was $13,575,349,301.

The number of shares of the registrant's Common Stock, par value $.01 per share, outstanding as of January 31, 2013 was 114,405,582.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of AvalonBay Communities, Inc.'s Proxy Statement for the 2013 annual meeting of stockholders, a definitive copy of which will be filed with the SEC within 120 days after the year end of the year covered by this Form 10-K, are incorporated by reference herein as portions of Part III of this Form 10-K.

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PART I

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Our actual results could differ materially from those set forth in each forward-looking statement. Certain factors that might cause such a difference are discussed in this report, including in the section entitled "Forward-Looking Statements" included in this Form 10-K. You should also review Item 1a., "Risk Factors," for a discussion of various risks that could adversely affect us.

ITEM 1. BUSINESS

General

AvalonBay Communities, Inc. (the "Company," which term, unless the context otherwise requires, refers to AvalonBay Communities, Inc. together with its subsidiaries) is a Maryland corporation that has elected to be treated as a real estate investment trust ("REIT") for federal income tax purposes. We engage in the development, redevelopment, acquisition, ownership and operation of multifamily communities in high barrier to entry markets of the United States. These barriers to entry 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 markets are currently located in the following regions of the United States: New England, the New York/New Jersey Metro area, the Mid-Atlantic, the Pacific Northwest, and Northern and Southern California. We focus on these markets because we believe that, over the long-term, a limited new supply of apartment homes and lower housing affordability in these markets will result in higher growth in cash flows relative to other markets.

At January 31, 2013, we owned or held a direct or indirect ownership interest in:

- 178 operating apartment communities containing 52,427 apartment homes in nine states and the District of Columbia, of which 155 communities containing 45,056 apartment homes were consolidated for financial reporting purposes, two communities containing 674 apartment homes were held by joint ventures in which we hold an ownership interest, and 21 communities containing 6,697 apartment homes were owned by the Funds (as defined below). Five of the consolidated communities containing 1,787 apartment homes were under redevelopment, as discussed below;

- 23 wholly-owned communities under construction that are expected to contain an aggregate of 6,599 apartment homes when completed; and

- rights to develop an additional 34 communities that, if developed in the manner expected, will contain an estimated 9,602 apartment homes.

The Company has entered into a material agreement to purchase direct and indirect interests in real estate assets that will significantly change our property holdings and capital structure. See "Business Archstone Acquisition." The closing of the acquisition is expected to occur during the first quarter of 2013 after the filing of this Form 10-K.

We generally obtain ownership in an apartment community by developing a new community on vacant land or by acquiring an existing community. In selecting sites for development or acquisition, we favor locations that are near expanding employment centers and convenient to transportation, recreation areas, entertainment, shopping and dining.

Our consolidated real estate investments consist of the following reportable segments: Established Communities, Other Stabilized Communities and Development/Redevelopment Communities. Established Communities are generally operating communities that were owned and had stabilized occupancy and operating expenses as of the beginning of the prior year such that year-over-year comparisons are meaningful. Other Stabilized Communities are generally all other operating communities that have stabilized occupancy and operating expenses during the current year, but that were not owned or had not achieved stabilization as of the beginning of the prior year such that year-over-year comparisons are not meaningful, as well as communities that are planned for disposition during the current year. Development/Redevelopment Communities consist of communities that are under construction, communities where substantial redevelopment is in progress or is planned to begin during the current year and communities under lease-up. A more detailed description of these segments and other related information can be found in Note 8, "Segment Reporting," of the Consolidated Financial Statements set forth in Item 8 of this report.

Our principal financial goal is to increase long-term stockholder value through the development, redevelopment, acquisition, operation, and when appropriate, disposition of apartments in our markets. To help meet this goal, we regularly (i) monitor our investment allocation by geographic market and product type, (ii) develop, redevelop and acquire an interest in apartment communities in high barrier to entry markets with growing or high potential for demand and high for-sale housing costs, (iii) selectively sell apartment communities that no longer meet our long-term strategy or when opportunities are presented to realize a portion of the value created through our investment and redeploy the proceeds from those sales and (iv) endeavor to maintain a capital structure that is aligned with our business risks with a view to maintaining continuous access to cost-effective capital. Our strategy is to be leaders in multifamily market research, consumer insight and capital allocation, delivering a range of multifamily offerings tailored to serve the needs of the most attractive customer segments in the best-performing U.S. submarkets. A substantial majority of our current communities are 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 operate our apartment communities under three core brands *Avalon, AVA,* and *Eaves by Avalon.* We believe that this branding differentiation allows us to target our product offerings to multiple customer groups and submarkets within our existing geographic footprint. The *"Avalon"* brand is our core offering, focusing on upscale apartment living and high end amenities and services in urban and suburban markets. Our *"AVA"* brand is designed for people who want to live in or near urban neighborhoods and in close proximity to public transportation, services, shopping and night-life. *AVA* apartments are generally smaller, many engineered for roommate living, and feature modern design and a technology focus. Our *Eaves by Avalon* brand is designed for renters who seek good quality apartment living, often in a suburban setting, with practical amenities and services at a more modest price point.

During the three years ended December 31, 2012, excluding activity for the Funds (as defined below), we acquired four apartment communities. In addition, during this period we purchased our joint venture partner's interest in one operating community, obtaining a 100% ownership interest in that apartment community. During the same three-year period, excluding dispositions in which we retained an ownership interest, we disposed of 10 apartment communities and completed the development of 18 apartment communities and the redevelopment of 23 apartment communities. In addition, in 2011 we exchanged a portfolio of three communities and a parcel of land we owned for a portfolio of six communities and $26,000,000 in cash.

During this period, we also realized our pro rata share of the gain from the sale of eight communities owned by AvalonBay Value Added Fund, L.P. ("Fund I"), an institutional discretionary real estate investment fund which we manage and in which we own a 15.2% interest. Fund I acquired communities with the objective of either redeveloping or repositioning them, or taking advantage of market cycle timing and improved operating performance. From its inception in March 2005 through the close of its investment period in March 2008, Fund I acquired 20 communities. In addition, Fund I sold one community in 2013 through the date this Form 10-K was filed.

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In September 2008 we formed AvalonBay Value Added Fund II, L.P. ("Fund II"), a second institutional discretionary real estate investment fund which we manage and in which we own a 31.3% interest. In 2012, Fund II acquired its final operating community, which was an active acquisition candidate as of August 2011, the end of the investment period for Fund II. From the commencement of Fund II through the close of the investment period, Fund II acquired 13 operating communities. Fund II sold one community in 2013 through the date this Form 10-K was filed. A more detailed description of Fund I and Fund II (collectively, the "Funds") and the related investment activity can be found in the discussion in Note 6, "Investments in Real Estate Entities," of the Consolidated Financial Statements in Item 8 of this report and in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Including sales by unconsolidated entities and entities in which we held a residual profits interest, during 2012 we sold 12 real estate assets, consisting of 11 operating communities and one land parcel, and recognized a gain in accordance with U.S. generally accepted accounting principles ("GAAP") of $156,420,000.

A further discussion of our development, redevelopment, disposition, acquisition, property management and related strategies follows.

Development Strategy. We select land for development and follow established procedures that we believe minimize both the cost and the risks of development. As one of the largest developers of multifamily rental apartment communities in high barrier to entry markets of the United States, we identify development opportunities through local market presence and access to local market information achieved through our regional offices. In addition to our principal executive office in Arlington, Virginia, we also maintain regional offices, administrative offices or specialty offices in or near the following cities:

- Boston, Massachusetts;
- Long Island, New York;
- Los Angeles, California;
- New York, New York;
- Newport Beach, California;
- San Francisco, California;
- San Jose, California;
- Seattle, Washington;
- Shelton, Connecticut;
- Virginia Beach, Virginia; and
- Woodbridge, New Jersey.

After selecting a target site, we usually negotiate for the right to acquire the site either through an option or a long-term conditional contract. Options and long-term conditional contracts generally allow us to acquire the target site shortly before the start of construction, which reduces development-related risks and preserves capital. However, as a result of competitive market conditions for land suitable for development, we have sometimes acquired and held land prior to construction for extended periods while entitlements are obtained, or acquired land zoned for uses other than residential with the potential for rezoning. For further discussion of our Development Rights, refer to Item 2. "Communities" in this report.

We generally act as our own general contractor and construction manager, except for certain mid-rise and high-rise apartment communities where we may elect to use third-party general contractors as construction managers. We generally perform these functions directly (although we may use a wholly-owned subsidiary) both for ourselves and for the joint ventures and partnerships of which we are a member or a partner. We believe direct involvement in construction enables us to achieve higher construction quality, greater control over construction schedules and cost savings. Our development, property management and construction teams monitor construction progress to ensure quality workmanship and a smooth and timely transition into the leasing and operating phase.

During periods where competition for development land is more intense, we may acquire improved land with existing commercial uses and rezone the site for multifamily residential use. During the period that we hold these buildings for future development, any rent received from these operations, which we consider to be incidental, is accounted for as a reduction in our investment in the development pursuit and not as net income. We have also participated, and may in the future participate, in master planned or other large multi-use developments where we commit to build infrastructure (such as roads) to be used by other participants or commit to act as construction manager or general contractor in building structures or spaces for third parties (such as unimproved ground floor retail space, municipal garages or parks). Costs we incur in connection with these activities may be accounted for as additional invested capital in the community or we may earn fee income for providing these services. Particularly with large scale, urban in-fill developments, we may engage in significant environmental remediation efforts to prepare a site for construction.

Throughout this report, the term "development" is used to refer to the entire property development cycle, including pursuit of zoning approvals, procurement of architectural and engineering designs and the construction process. References to "construction" refer to the actual construction of the property, which is only one element of the development cycle.

Redevelopment Strategy. When we undertake the redevelopment of a community, our goal is to renovate and/or rebuild an existing community so that our total investment is generally below replacement cost and the community is well positioned in the market to achieve attractive returns on our capital. We have a dedicated group of associates and procedures that are intended to control both the cost and risks of redevelopment. Our redevelopment teams, which include redevelopment, construction and property management personnel, monitor redevelopment progress. We believe we achieve significant cost savings by acting as our own general contractor. More importantly, this helps to ensure quality design and workmanship and a smooth and timely transition into the lease-up and restabilization phases.

Throughout this report, the term "redevelopment" is used to refer to the entire redevelopment cycle, including planning and procurement of architectural and engineering designs, budgeting and actual renovation work. The actual renovation work is referred to as "reconstruction," which is only one element of the redevelopment cycle.

Disposition Strategy. We sell assets that no longer meet our long-term strategy or when market conditions are favorable, and we redeploy the proceeds from those sales to develop, redevelop and acquire communities and to rebalance our portfolio across or within geographic regions. This also allows us to realize a portion of the value created through our investments and provides additional liquidity. We are then able to redeploy the net proceeds from our dispositions in lieu of raising that amount of capital externally. When we decide to sell a community, we generally solicit competing bids from unrelated parties for these individual assets and consider the sales price of each proposal.

Acquisition Strategy. Our core competencies in development and redevelopment discussed above allow us to be selective in the acquisitions we target. Acquisitions allow us to achieve rapid penetration into markets in which we desire an increased presence. Acquisitions (and dispositions) also help us

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achieve our desired product mix or rebalance our portfolio. Portfolio growth also allows for fixed general and administrative costs to be a smaller percentage of overall community Net Operating Income ("NOI"). We are not presently pursuing the formation of a new, third fund, preferring at this time to maintain flexibility in shaping our portfolio of wholly-owned assets through acquisitions and disposition, although we may acquire investments in existing fund structures in connection with the Archstone Acquisition. Any fund acquired is not expected to limit our ability to acquire investments for our own account.

Property Management Strategy. We seek to increase operating income through innovative, proactive property management that will result in higher revenue from communities while constraining operating expenses. Our principal strategies to maximize revenue include:

- strong focus on resident satisfaction;
- staggering lease terms such that lease expirations are better matched to traffic patterns;
- balancing high occupancy with premium pricing, and increasing rents as market conditions permit; and
- employing revenue management software to optimize the pricing and term of leases.

Constraining growth in operating expenses is another way in which we seek to increase earnings growth. Growth in our portfolio and the resulting increase in revenue allows for fixed operating costs to be spread over a larger volume of revenue, thereby increasing operating margins. We constrain growth in operating expenses in a variety of ways, which include, but are not limited to, the following:

- we use purchase order controls, acquiring goods and services from pre-approved vendors;
- we use national negotiated contracts and also purchase supplies in bulk where possible;
- we bid third-party contracts on a volume basis;
- we strive to retain residents through high levels of service in order to eliminate the cost of preparing an apartment home for a new resident and to reduce marketing and vacant apartment utility costs;
- we perform turnover work in-house or hire third parties, generally depending upon the least costly alternative;
- we undertake preventive maintenance regularly to maximize resident satisfaction and property and equipment life; and
- we aggressively pursue real estate tax appeals.

On-site property management teams receive bonuses based largely upon the net operating income ("NOI") produced at their respective communities. We use and continuously seek ways to improve technology applications to help manage our communities, believing that the accurate collection of financial and resident data will enable us to maximize revenue and control costs through careful leasing decisions, maintenance decisions and financial management.

We generally manage the operation and leasing activity of our communities directly (although we may use a wholly-owned subsidiary) both for ourselves and the joint ventures and partnerships of which we are a member or a partner.

From time to time we also pursue or arrange ancillary services for our residents to provide additional revenue sources or increase resident satisfaction. As a REIT, we generally cannot provide direct services to our residents that are not customarily provided by a landlord, nor can we directly share in the income of a third party that provides such services. However, we can provide such non-customary services to residents or share in the revenue from such services if we do so through a

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"taxable REIT subsidiary," which is a subsidiary that is treated as a "C corporation" subject to federal income taxes.

Financing Strategy. We maintain a capital structure that provides financial flexibility to ensure we can select cost effective capital market options that are well matched to our business risks. We estimate that our short-term liquidity needs will be met from cash on hand, borrowings under our $1,300,000,000 revolving variable rate unsecured credit facility (the "Credit Facility"), sales of current operating communities and/or issuance of additional debt or equity securities. A determination to engage in an equity or debt offering depends on a variety of factors such as general market and economic conditions, our short and long-term liquidity needs, the relative costs of debt and equity capital and growth opportunities. A summary of debt and equity activity for the last three years is reflected on our Consolidated Statement of Cash Flows of the Consolidated Financial Statements set forth in Item 8 of this report.

We have entered into, and may continue in the future to enter into, joint ventures (including limited liability companies or partnerships) through which we would own an indirect economic interest of less than 100% of the community or communities owned directly by such joint ventures. Our decision to either hold an apartment community in fee simple or to have an indirect interest in the community through a joint venture is based on a variety of factors and considerations, including: (i) the economic and tax terms required by a seller of land or of a community; (ii) our desire to diversify our portfolio of communities by market, submarket and product type; (iii) our desire at times to preserve our capital resources to maintain liquidity or balance sheet strength; and (iv) our projection, in some circumstances, that we will achieve higher returns on our invested capital or reduce our risk if a joint venture vehicle is used. Investments in joint ventures are not limited to a specified percentage of our assets. Each joint venture agreement is 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 agreement.

In addition, from time to time, we may offer shares of our equity securities, debt securities or options to purchase stock in exchange for property. We may also acquire properties in exchange for properties we currently own.

Other Strategies and Activities. While we emphasize equity real estate investments in rental apartment communities, we have the ability to invest in other types of real estate, mortgages (including participating or convertible mortgages), securities of other REITs or real estate operating companies, or securities of technology companies that relate to our real estate operations or of companies that provide services to us or our residents, in each case consistent with our qualification as a REIT. In addition, we own and lease retail space at our communities when either (i) the highest and best use of the space is for retail (e.g., street level in an urban area); (ii) we believe the retail space will enhance the attractiveness of the community to residents or; (iii) some component of retail space is required to obtain entitlements to build apartment homes. As of December 31, 2012, we had a total of 458,693 square feet of rentable retail space, excluding retail space within communities currently under construction. Gross rental revenue provided by leased retail space in 2012 was $8,806,000 (0.8% of total revenue). We may also develop a property in conjunction with another real estate company that will own and operate the retail component of a mixed-use building that we help develop. If we secure a development right and believe that its best use, in whole or in part, is to develop the real estate with the intent to sell rather than hold the asset, we may, through a taxable REIT subsidiary, develop real estate for sale. Any investment in securities of other entities, and any development of real estate for sale, is subject to the percentage of ownership limitations, gross income tests, and other limitations that must be observed for REIT qualification.

We have not engaged in trading, underwriting or agency distribution or sale of securities of other issuers and do not intend to do so. At all times we intend to make investments in a manner so as to

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qualify as a REIT unless, because of circumstances or changes to the Internal Revenue Code of 1986 (or the Treasury Regulations), our Board of Directors determines that it is no longer in our best interest to qualify as a REIT.

Archstone Acquisition

In November 2012, we entered into agreements with (i) Equity Residential and its operating partnership, ERP Operating Partnership LP ("Equity Residential"), (ii) Lehman Brothers Holdings, Inc., ("Lehman"), and (iii) Archstone Enterprise LP ("Archstone"), pursuant to which AvalonBay and Equity Residential will acquire, directly or indirectly, all of the assets, liabilities and ownership interests in joint ventures or other entities owned by Archstone. Under the terms of the agreements, we will acquire approximately 40% of Archstone's assets and liabilities and Equity Residential will acquire approximately 60% of Archstone's assets and liabilities ("Archstone Acquisition"). The transaction is expected to close during the first quarter of 2013.

As disclosed in November 2012, we expect to purchase the following as part of the Archstone Acquisition, which is subject to adjustment up until the transaction closes:

- 66 apartment communities that are expected to be consolidated for financial reporting purposes, containing 22,222 apartment homes, of which six communities are under construction and are expected to contain 1,666 apartment homes upon completion

- Three parcels of land, which are expected to be wholly owned, and if developed as anticipated, are expected to contain a total of 968 apartment homes;

- Interests in joint ventures the assets of which consist primarily of real estate, for which our ownership percentage is expected to be up to 40%, and that are not expected to be consolidated for financial reporting purposes.

The Company expects to provide the following consideration for the Archstone Acquisition:

- the issuance of 14,889,706 shares of its common stock to Lehman or its designees;

- cash payment of $669,000,000 to Lehman or its designees;

- the assumption of approximately $3,700,000,000 principal amount of consolidated indebtedness;

- the acquisition with Equity Residential of interests in entities that have preferred units outstanding that may be presented for redemption from time to time. The Company's 40% share of the liquidation value of and accrued dividends on these outstanding Archstone preferred units as of January 31, 2013 was $132,200,000; and

- the assumption with Equity Residential of all other liabilities, known or unknown, of Archstone, other than certain excluded liabilities. The Company will share in 40% of the cost of these liabilities.

Equity Residential and we are jointly and severally liable for most obligations to Lehman related to the Archstone Acquisition. If we and Equity Residential fail to close Archstone Acquisition by March 26, 2013, then Equity Residential and we could be liable for payment of a termination fee of $800,000,000. The closing of the transaction is also subject to customary closing conditions, which do not include our and Equity Residential's ability to obtain the necessary financing or lender consents for the transaction. Unless otherwise stated, all amounts and disclosures included in this Form 10-K do not include any impact from the anticipated closing of the Archstone Acquisition.

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Tax Matters

We filed an election with our 1994 federal income tax return to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, ("the Code") and intend to maintain our qualification as a REIT in the future. As a qualified REIT, with limited exceptions, we will not be taxed under federal and certain state income tax laws at the corporate level on our taxable net income to the extent taxable net income is distributed to our stockholders. We expect to make sufficient distributions to avoid income tax at the corporate level. While 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, there can be no assurance that we will be successful in this regard. Qualification as a REIT involves the application of highly technical and complex provisions of the Code for which there are limited judicial and administrative interpretations and involves the determination of a variety of factual matters and circumstances not entirely within our control.

Competition

We face competition from other real estate investors, including insurance companies, pension and investment funds, partnerships and investment companies and other REITs, to acquire and develop apartment communities and acquire land for future development. As an owner and operator of apartment communities, we also face competition for prospective residents from other operators whose communities may be perceived to offer a better location or better amenities or whose rent may be perceived as a better value given the quality, location and amenities that the resident seeks. We also compete against condominiums and single-family homes that are for sale or rent. Although we often compete against large sophisticated developers and operators for development opportunities and for prospective residents, real estate developers and operators of any size can provide effective competition for both real estate assets and potential residents.

Environmental and Related Matters

As a current or prior owner, operator and developer of real estate, we are subject to various federal, state and local environmental laws, regulations and ordinances and also could be liable to third parties resulting from environmental contamination or noncompliance at our communities. For some development communities we undertake extensive environmental remediation to prepare the site for construction, which could be a significant portion of our total construction cost. Environmental remediation efforts could expose us to possible liabilities for accidents or improper handling of contaminated materials during construction. These and other risks related to environmental matters are described in more detail in Item 1a., "Risk Factors."

We believe that more government regulation of energy use, along with a greater focus on environmental protection, may, over time, have a significant impact on urban growth patterns. If changes in zoning to encourage greater density and proximity to mass transit do occur, such changes could benefit multifamily housing and those companies with a competency in high-density development. However, there can be no assurance as to whether or when such changes in regulations or zoning will occur or, if they do occur, whether the multifamily industry or the Company will benefit from such changes.

Other Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may call the SEC at 1-202-551-8090 for further information on the operation of the Public Reference Room. Our SEC filings are also available to the public from the SEC's website at www.sec.gov.

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We maintain a website at www.avalonbay.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to the Securities Exchange Act of 1934 are available free of charge in the "Investors" section of our website as soon as reasonably practicable after the reports are filed with or furnished to the SEC. In addition, the charters of our Board's Nominating and Corporate Governance Committee, Audit Committee and Compensation Committee, as well as our Director Independence Standards, Corporate Governance Guidelines, Code of Business Conduct and Ethics, Policy Regarding Shareholder Rights Agreement, Policy Regarding Shareholder Approval of Future Severance Agreements, Executive Stock Ownership Guidelines, and Policy for Recoupment of Incentive Compensation, are available free of charge in that section of our website or by writing to AvalonBay Communities, Inc., Ballston Tower, Suite 800, 671 N. Glebe Rd., Arlington, Virginia 22203, Attention: Chief Financial Officer. To the extent required by the rules of the SEC and the NYSE, we will disclose amendments and waivers relating to these documents in the same place on our website.

We were incorporated under the laws of the State of California in 1978. In 1995, we reincorporated in the State of Maryland and have been focused on the ownership and operation of apartment communities since that time. As of January 31, 2013, we had 2,178 employees.

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ITEM 1a. RISK FACTORS

Our operations involve various risks that could have adverse consequences, including those described below. This Item 1a. includes forward-looking statements. You should refer to our discussion of the qualifications and limitations on forward-looking statements in this Form 10-K.

We may fail to consummate the Archstone Acquisition or may not consummate it on the terms described in this report.

We expect to consummate the Archstone Acquisition during the first quarter of 2013, assuming that all of the conditions in the related asset purchase agreement (the "Purchase Agreement") are satisfied or waived. The consummation of the Archstone Acquisition, however, is subject to certain closing conditions, including conditions that must be met by Equity Residential and which are beyond our control, and there can be no assurance that such conditions will be satisfied on the anticipated schedule or at all. In addition, under certain circumstances, we or Lehman may terminate the Purchase Agreement. As a result, there can be no assurance that the Archstone Acquisition will be consummated in its entirety in accordance with the anticipated timing or at all.

In addition, if the Archstone Acquisition does not occur we will not recover our costs and expenses incurred in connection with the transaction and we may be liable for all or a portion of the $800,000,000 termination fee, if payable.

We and/or Equity Residential may fail to perform under the Purchase Agreement or may not perform on the terms prescribed.

We don't believe that we could meet, or that Equity Residential could meet, the obligations, as buyer, set forth in the Purchase Agreement without the timely performance of the other. Thus, we and Equity Residential are each dependent upon the performance of the other to meet the buyer's obligations under the Purchase Agreement. A default by either party under the Purchase Agreement could give rise to adverse consequences to the breaching party pursuant to certain arrangements between us and Equity Residential. Under our arrangements with Equity Residential, if the termination of the Purchase Agreement is solely a result of a breach by either us or Equity Residential then the breaching party shall be solely responsible for, and shall indemnify the non-breaching party against, the fees and expenses, including the termination fee of up to $800,000,000, payable to Lehman resulting from a failure to consummate the acquisition, and any out-of-pocket expenses incurred by such non-breaching party in connection with enforcing its rights against the breaching party.

Our business and the market price of our common stock may be adversely affected if the Archstone Acquisition is not completed.

The Archstone Acquisition is subject to customary closing conditions. If the Archstone Acquisition is not completed, we could be subject to a number of risks that may adversely affect our business and the market price of our common stock, including:

- the market price of our common stock may decline to the extent that the current market price reflects an assumption that the Archstone Acquisition will be completed;
- we must pay certain costs related to the Archstone Acquisition, such as legal and accounting fees and expenses, regardless of whether the Archstone Acquisition is consummated;
- we would not realize the benefits we expect to realize from consummating the Archstone Acquisition; and
- we, together with Equity Residential, may be liable for a termination fee of up to $800,000,000.

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We will incur substantial expenses and payments even if the Archstone Acquisition is not completed.

We have incurred substantial legal, accounting, financial advisory and other costs and our management has devoted considerable time and effort in connection with the Archstone Acquisition. If the Archstone Acquisition is not completed, we will bear certain fees and expenses associated with the Archstone Acquisition without realizing the benefits of the Archstone Acquisition. The fees and expenses may be significant and could have an adverse impact on our operating results. For instance, if Lehman terminates the Purchase Agreement due to a breach by us or a failure by us to satisfy a condition precedent to Lehman's obligation to close the Archstone Acquisition, we would be obligated to pay to Lehman a termination fee of up to $800,000,000.

We intend to assume indebtedness in connection with the Archstone Acquisition, which may have an adverse effect on our financial condition and results of operations, and our ability to make distributions to our stockholders.

We intend to assume $3,700,000,000 principal amount of consolidated indebtedness in connection with the Archstone Acquisition, which will increase our leverage and the ratio of our net debt to our earnings before interest, tax, depreciation and amortization.

We expect to repay contemporaneously with the closing up to $1,700,000,000 principal amount of assumed indebtedness from the Archstone Acquisition. However, there can be no assurance that we will be able to reduce or refinance, over time, to the extent we anticipate, the indebtedness we are assuming. Therefore, the increase in indebtedness we will incur at closing of the Archstone Acquisition could have adverse consequences on our business, such as:

- requiring us to use a substantial portion of our cash flow from operations to service our indebtedness, which would reduce the available cash flow to fund working capital, capital expenditures, development projects and other general corporate purposes such as dividends;

- limiting our ability to obtain additional financing to fund our working capital needs, acquisitions, capital expenditures or other debt service requirements or for other purposes;

- limiting our ability to compete with other companies that are not as highly leveraged, as we may be less capable of responding to adverse economic and industry conditions;

- restricting us from making other strategic acquisitions, developing additional properties or exploiting other business opportunities;

- restricting the way in which we conduct our business because of financial and operating covenants in the agreements governing our and our subsidiaries' existing and future indebtedness;

- exposing us to potential events of default (if not cured or waived) under financial and operating covenants contained in our or our subsidiaries' debt instruments that could have an adverse effect on our business, financial condition and operating results;

- increasing our vulnerability to a downturn in general economic conditions; and

- limiting our ability to react to changing market conditions in our industry.

In addition to our debt service obligations, our operations may require substantial investments on a continuing basis. Our ability to make scheduled debt payments, to refinance our obligations with respect to our indebtedness and to fund capital and non-capital expenditures necessary to maintain the condition of our operating assets and properties, as well as to provide capacity for the growth of our business, depends on our financial and operating performance, which, in turn, is subject to prevailing economic conditions and financial, business, competitive, legal and other factors.

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The intended benefits of the Archstone Acquisition may not be realized, which could have a negative impact on the market price of our common stock after the Archstone Acquisition.

The Archstone Acquisition poses risks for our ongoing operations, including that:

- our senior management's attention may be diverted from the management of daily operations to the integration of the Archstone Acquisition, including management of assets located outside of our core markets pending disposition, which may disrupt management of our existing business and our relationships with our customers;
- we may bear costs and expenses associated with any undisclosed or potential liabilities;
- the Archstone Acquisition may not perform as well as we anticipate; and
- unforeseen difficulties may arise in integrating the Archstone Acquisition into our portfolio.

Also, we expect to acquire assets and assume liabilities in connection with the Archstone Acquisition on an "as is" basis with only limited representations from Lehman surviving after the closing of the Archstone Acquisition, which limits our recourse against the seller for breaches of representations after closing, which in turn may expose us to unexpected material losses or expenses after the closing.

In addition, our diligence investigations with respect to the assets comprising the Archstone Acquisition, has been more limited than would be the case if we were acquiring individual apartment communities or land parcels, which may also expose us to unexpected material losses or expenses after the closing.

As a result of the foregoing, we cannot assure you that the Archstone Acquisition will be accretive to us in the near term or at all. Furthermore, if we fail to realize the intended benefits of the Archstone Acquisition, the market price of our common stock could decline to the extent that the market price reflects those anticipated benefits.

The Archstone Acquisition will significantly increase the size of our real estate portfolio and related personnel and operating and financial needs, and we may not be successful in integrating the Archstone Acquisition into our business.

The Archstone Acquisition involves a variety of risks, including potential difficulties in integrating the portfolio, diversions of our management resources, differing levels of management and internal control effectiveness at the acquired entities and other unanticipated problems and liabilities. Any of these risks could adversely affect our financial results and reduce or delay our ability to obtain the expected benefits of the Archstone Acquisition.

In addition, the increased need for financial resources that will result from the Archstone Acquisition, as well as the diversion of our management resources, may affect our existing development, redevelopment and acquisition portfolios and development rights pipeline. As a result, there may be unexpected delays in the timing of our activities relating to our existing real estate portfolios and development rights pipeline, and we may encounter unexpected costs or we may not succeed in obtaining the expected benefits of our currently expected real estate development, redevelopment and acquisition activities. These issues could also increase our capital requirements, which may require us to issue potentially dilutive equity securities and incur additional debt.

The governance provisions of our joint ventures with Equity Residential could adversely affect our flexibility in dealing with such joint venture assets and liabilities.

In connection with the Archstone Acquisition, we expect to create joint ventures with Equity Residential to manage certain of the acquired assets and liabilities. These structures involve

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participation in the investment by Equity Residential whose interests and rights may not be the same as ours. Joint ownership of an investment in real estate involves risks not associated with direct ownership of real estate, including the risk that Equity Residential may at any time have economic or other business interests or goals which become inconsistent with our business interests or goals, including inconsistent goals relating to the sale of properties held in the joint ventures or the timing of the termination and liquidation of the joint ventures. Under the expected form for the joint venture arrangements, neither we nor Equity Residential expect to have the power to control the ventures, and an impasse could occur, which would adversely affect the applicable joint venture and decrease potential returns to us and our investors.

We expect to assume substantially all liabilities related to the Archstone Acquisition, and may be responsible for liabilities that were not known when we entered into the Purchase Agreement.

Under the Purchase Agreement, we and Equity Residential will assume substantially all liabilities related to the Archstone portfolio, whether or not they were known by us and Equity Residential at the time we entered into the Purchase Agreement, and we have agreed to indemnify Lehman with respect to these liabilities. Under the Purchase Agreement, we would be solely liable for these obligations if Equity Residential were to default on its obligation to share these indemnification obligations with us. As a result, we could become liable for liabilities that are not currently known to us, and the amount of these liabilities could have an adverse effect on our business, financial condition and results of operations.

We intend to dispose of certain assets acquired in connection with the Archstone Acquisition, but we may be unable to achieve the expected proceeds of these acquisitions or may be unable to dispose of these assets at all.

We intend to dispose of certain assets acquired in connection with the Archstone Acquisition, including assets held in our joint ventures with Equity Residential, but we cannot predict whether we will be able to sell any of the properties on favorable terms and conditions, if at all, or the length of time over which we expect to sell any of the assets. We may be unable to sell some of the properties, which may adversely affect our liquidity, or we may have to sell properties at depressed prices, which could adversely affect our results of operations and financial condition. Our joint ventures with Equity Residential will own, among other assets, investments in apartment communities in Germany, and we will acquire from Archstone interests in U.S. markets that we are not currently in, including Florida, Georgia and Texas. Our efforts to manage, position and/or dispose of these investments may distract management and we may not achieve the intended results.

Future sales or issuances of our common stock may cause the market price of our common stock to decline.

In connection with the Archstone Acquisition, we will issue shares of our common stock under the Purchase Agreement, and we will be required to register the resale of such shares of common stock under the Securities Act. The sale of substantial amounts of our common stock, whether directly by us or in the secondary market, the perception that such sales could occur or the availability for future sale of shares of our common stock or securities convertible into or exchangeable or exercisable for our common stock, could adversely affect the market price of our common stock and our ability to raise capital through future offerings of equity or equity-related securities.

Development, redevelopment and construction risks could affect our profitability.

We intend to continue to develop and redevelop apartment home communities. These activities can include long planning and entitlement timelines and can involve complex and costly activities,

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including significant environmental remediation or construction work in high-density urban areas. These activities may be exposed to the following risks:

- we may abandon opportunities that we have already begun to explore for a number of reasons, including changes in local market conditions or increases in construction or financing costs, and, as a result, we may fail to recover expenses already incurred in exploring those opportunities;
- occupancy rates and rents at a community may fail to meet our original expectations for a number of reasons, including changes in market and economic conditions beyond our control and the development by competitors of competing communities;
- we may be unable to obtain, or experience delays in obtaining, necessary zoning, occupancy, or other required governmental or third party permits and authorizations, which could result in increased costs or the delay or abandonment of opportunities;
- we may incur costs that exceed our original estimates due to increased material, labor or other costs;
- we may be unable to complete construction and lease-up of a community on schedule, resulting in increased construction and financing costs and a decrease in expected rental revenues;
- we may be unable to obtain financing with favorable terms, or at all, for the proposed development of a community, which may cause us to delay or abandon an opportunity;
- we may incur liabilities to third parties during the development process, for example, in connection with managing existing improvements on the site prior to tenant terminations and demolition (such as commercial space) or in connection with providing services to third parties (such as the construction of shared infrastructure or other improvements); and
- we may incur liability if our communities are not constructed and operated in compliance with the accessibility provisions of the Americans with Disabilities Acts, the Fair Housing Act or other federal, state or local requirements. Noncompliance could result in imposition of fines, an award of damages to private litigants, and a requirement that we undertake structural modifications to remedy the noncompliance.

We estimate construction costs based on market conditions at the time we prepare our budgets, and our projections include changes that we anticipate but cannot predict with certainty. Construction costs may increase, particularly for labor and certain materials and, for some of our Development Communities and Development Rights (as defined below), the total construction costs may be higher than the original budget. Total capitalized cost includes all capitalized costs incurred and projected to be incurred to develop or redevelop a community, determined in accordance with GAAP, including:

- land and/or property acquisition costs;
- fees paid to secure air rights and/or tax abatements;
- construction or reconstruction costs;

costs of environmental remediation;

real estate taxes;

capitalized interest and insurance;

loan fees;

permits;

professional fees;

- allocated development or redevelopment overhead; and
- other regulatory fees.

Costs to redevelop communities that have been acquired have, in some cases, exceeded our original estimates and similar increases in costs may be experienced in the future. We cannot assure you that market rents in effect at the time new development or redevelopment communities complete lease-up will be sufficient to fully offset the effects of any increased construction or reconstruction costs.

Unfavorable changes in market and economic conditions could adversely affect occupancy, rental rates, operating expenses, and the overall market value of our assets, including joint ventures and investments in the Funds.

Local conditions in our markets significantly affect occupancy, rental rates and the operating performance of our communities. The risks that may adversely affect conditions in those markets include the following:

- plant closings, industry slowdowns and other factors that adversely affect the local economy;
- an oversupply of, or a reduced demand for, apartment homes;
- a decline in household formation or employment or lack of employment growth;
- the inability or unwillingness of residents to pay rent increases;
- rent control or rent stabilization laws, or other laws regulating housing, that could prevent us from raising rents to offset increases in operating costs; and
- economic conditions that could cause an increase in our operating expenses, such as increases in property taxes, utilities, compensation of on-site associates and routine maintenance.

Changes in applicable laws, or noncompliance with applicable laws, could adversely affect our operations or expose us to liability.

We must develop, construct and operate our communities in compliance with numerous federal, state and local laws and regulations, some of which may conflict with one another or be subject to limited judicial or regulatory interpretations. These laws and regulations may include zoning laws, building codes, landlord tenant laws and other laws generally applicable to business operations. Noncompliance with laws could expose us to liability.

Lower revenue growth or significant unanticipated expenditures may result from our need to comply with changes in (i) laws imposing remediation requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions, (ii) rent control or rent stabilization laws or other residential landlord/tenant laws, or (iii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of our communities, including changes to building codes and fire and life-safety codes.

Short-term leases expose us to the effects of declining market rents.

Substantially all of our apartment leases are for a term of one year or less. Because these leases generally permit the residents to leave at the end of the lease term without penalty, our rental revenues are impacted by declines in market rents more quickly than if our leases were for longer terms.

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Competition could limit our ability to lease apartment homes or increase or maintain rents.

Our apartment communities compete with other housing alternatives to attract residents, including other rental apartments, condominiums and single-family homes that are available for rent, as well as new and existing condominiums and single-family homes for sale. Competitive residential housing in a particular area could adversely affect our ability to lease apartment homes and to increase or maintain rental rates.

Attractive investment opportunities may not be available, which could adversely affect our profitability.

We expect that other real estate investors, including insurance companies, pension funds, other REITs and other well-capitalized investors, will compete with us to acquire existing properties and to develop new properties. This competition could increase prices for properties of the type we would likely pursue and adversely affect our profitability.

Capital and credit market conditions may adversely affect our access to various sources of capital and/or the cost of capital, which could impact our business activities, dividends, earnings, and common stock price, among other things.

In periods when the capital and credit markets experience significant volatility, the amounts, sources and cost of capital available to us may be adversely affected. We primarily use external financing to fund construction and to refinance indebtedness as it matures. If sufficient sources of external financing are not available to us on cost effective terms, we could be forced to limit our development and redevelopment activity and/or take other actions to fund our business activities and repayment of debt, such as selling assets, reducing our cash dividend or paying out less than 100% of our taxable income. To the extent that we are able and/or choose to access capital at a higher cost than we have experienced in recent years (reflected in higher interest rates for debt financing or a lower stock price for equity financing) our earnings per share and cash flows could be adversely affected. In addition, the price of our common stock may fluctuate significantly and/or decline in a high interest rate or volatile economic environment. We believe that the lenders under our Credit Facility will fulfill their lending obligations thereunder, but if economic conditions deteriorate, there can be no assurance that the ability of those lenders to fulfill their obligations would not be adversely impacted.

Insufficient cash flow could affect our debt financing and create refinancing risk.

We are subject to the risks associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest. In this regard, we note that in order for us to continue to qualify as a REIT, we are required to annually distribute dividends generally equal to at least 90% of our REIT taxable income, computed without regard to the dividends paid deduction and our net capital gain. This requirement limits the amount of our cash flow available to meet required principal and interest payments. The principal outstanding balance on a portion of our debt will not be fully amortized prior to its maturity. Although we may be able to repay our debt by using our cash flows, we cannot assure you that we will have sufficient cash flows available to make all required principal payments. Therefore, we may need to refinance at least a portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that a refinancing will not be done on as favorable terms; either of these outcomes could have a material adverse effect on our financial condition and results of operations.

Rising interest rates could increase interest costs and could affect the market price of our common stock.

We currently have, and may in the future incur, contractual variable interest rate debt. In addition, we regularly seek access to both fixed and variable rate debt financing to repay maturing debt and to finance our development and redevelopment activity. Accordingly, if interest rates increase, our interest costs will also rise, unless we have made arrangements that hedge the risk of rising interest rates. In addition, an increase in market interest rates may lead purchasers of our common stock to demand a greater annual dividend yield, which could adversely affect the market price of our common stock.

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Bond financing and zoning compliance requirements could limit our income, restrict the use of communities and cause favorable financing to become unavailable.

We have financed some of our apartment communities with obligations issued by local government agencies because the interest paid to the holders of this debt is generally exempt from federal income taxes and, therefore, the interest rate is generally more favorable to us. These obligations are commonly referred to as "tax-exempt bonds" and generally must be secured by mortgages on our communities. As a condition to obtaining tax-exempt financing, or on occasion as a condition to obtaining favorable zoning in some jurisdictions, we will commit to make some of the apartments in a community available to households whose income does not exceed certain thresholds (e.g., 50% or 80% of area median income), or who meet other qualifying tests. As of December 31, 2012, approximately 6.47% of our apartment homes at current operating communities were under income limitations such as these. These commitments, which may run without expiration or may expire after a period of time (such as 15 or 20 years) may limit our ability to raise rents and, in consequence, can also adversely affect the value of the communities subject to these restrictions.

In addition, some of our tax-exempt bond financing documents require us to obtain a guarantee from a financial institution of payment of the principal of, and interest on, the bonds. The guarantee may take the form of a letter of credit, surety bond, guarantee agreement or other additional collateral. If the financial institution defaults in its guarantee obligations, or if we are unable to renew the applicable guarantee or otherwise post satisfactory collateral, a default will occur under the applicable tax-exempt bonds and the community could be foreclosed upon if we do not redeem the bonds.

Risks related to indebtedness.

We have a Credit Facility with Bank of America, N.A., as administrative agent, swing lender, issuing bank and a bank, JPMorgan Chase Bank, N.A., as a bank and as syndication agent, Deutsche Bank Trust Company Americas, Morgan Stanley Bank and Wells Fargo Bank, N.A., each as a bank and as documentation agent, Barclays Bank PLC as a bank and as co-documentation agent, UBS AG, Stamford Branch, as a co-documentation agent, Goldman Sachs Bank USA, The Bank of New York Mellon, Compass Bank, PNC Bank, National Association, and Suntrust Bank, each as a bank and as a managing agent, Branch Banking and Trust Company, Bank of Tokyo Mitsubishi UFJ, Ltd., and Capital One, N.A., each as a bank and as a co-agent, and the other bank parties signatory thereto. Our organizational documents do not limit the amount or percentage of indebtedness that may be incurred. Accordingly, subject to compliance with outstanding debt covenants, we could incur more debt, resulting in an increased risk of default on our obligations and an increase in debt service requirements that could adversely affect our financial condition and results of operations.

The mortgages on those of our properties that are subject to secured debt, our Credit Facility and the indenture under which a substantial portion of our debt was issued contain customary restrictions, requirements and other limitations, as well as certain financial and operating covenants including maintenance of certain financial ratios. Maintaining compliance with these restrictions could limit our flexibility. A default in these requirements, if uncured, could result in a requirement that we repay indebtedness, which could severely affect our liquidity and increase our financing costs. Refer to Item 7., "Management's Discussion and Analysis of Financial Condition and Results of Operations," for further discussion.

The mortgages on those of our properties subject to secured debt generally include provisions which stipulate a prepayment penalty or payment that we will be obligated to pay in the event that we elect to repay the mortgage note prior to the earlier of (i) the stated maturity of the note, or (ii) the date at which the mortgage note is prepayable without such penalty or payment. If we elect to repay some or all of the outstanding principal balance for our mortgage notes, we may incur prepayment penalties or payments under these provisions which could adversely affect our results of operations.

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Failure to maintain our current credit ratings could adversely affect our cost of funds, related margins, liquidity and access to capital markets.

There are two major debt rating agencies that routinely evaluate and rate our debt. These ratings are based on a number of factors, which include their assessment of our financial strength, liquidity, capital structure, asset quality amount of real estate under development, and sustainability of cash flow and earnings, among other factors. If market conditions change, we may not be able to maintain our current credit ratings, which could adversely affect our cost of funds and related margins, liquidity, and access to capital markets.

We could be negatively impacted by the condition of Fannie Mae or Freddie Mac.

Fannie Mae and Freddie Mac are a major source of secured financing to the multifamily industry and we have used Fannie Mae and Freddie Mac for a portion of our financing needs. In February 2011, the Obama administration released a report calling for the winding down of the role that Fannie Mae and Freddie Mac play in the mortgage market. A final decision by the government to eliminate Fannie Mae or Freddie Mac or reduce their acquisitions or guarantees of multifamily community loans may adversely affect interest rates, capital availability, and the value of multifamily communities.

Debt financing may not be available and equity issuances could be dilutive to our stockholders.

Our ability to execute our business strategy depends on our access to an appropriate blend of debt and equity financing. Debt financing may not be available in sufficient amounts or on favorable terms. If we issue additional equity securities, the interests of existing stockholders could be diluted.

Failure to generate sufficient revenue or other liquidity needs could limit cash flow available for distributions to stockholders.

A decrease in rental revenue, or liquidity needs such as the repayment of indebtedness or funding of our development activities, could have an adverse effect on our ability to pay distributions to our stockholders. Significant expenditures associated with each community such as debt service payments, if any, real estate taxes, insurance and maintenance costs are generally not reduced when circumstances cause a reduction in income from a community.

The form, timing and/or amount of dividend distributions in future periods may vary and be impacted by economic and other considerations.

The form, timing and/or amount of dividend distributions will be declared at the discretion of the Board of Directors and will depend on actual cash from operations, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and other factors as the Board of Directors may consider relevant. The Board of Directors may modify our dividend policy from time to time.

We may choose to pay dividends in our own stock, in which case stockholders may be required to pay tax in excess of the cash they receive.

We may distribute taxable dividends that are payable in part in our stock, as we did in the fourth quarter of 2008. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of the cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with

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respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, the trading price of our stock would experience downward pressure if a significant number of our stockholders sell shares of our stock in order to pay taxes owed on dividends.

Difficulty of selling apartment communities could limit liquidity and financial flexibility.

Federal tax laws may limit our ability to earn a gain on the sale of a community (unless we own it through a subsidiary which will incur a taxable gain upon sale) if we are found to have held, acquired or developed the community primarily with the intent to resell the community, and this limitation may affect our ability to sell communities without adversely affecting returns to our stockholders. In addition, real estate in our markets can at times be difficult to sell quickly at prices we find acceptable. These potential difficulties in selling real estate in our markets may limit our ability to change or reduce the apartment communities in our portfolio promptly in response to changes in economic or other conditions.

Acquisitions may not yield anticipated results.

Our business strategy includes acquiring as well as developing communities. Our acquisition activities and their success may be exposed to the following risks:

- an acquired property may fail to perform as we expected in analyzing our investment; and
- our estimate of the costs of repositioning or redeveloping an acquired property may prove inaccurate.

Failure to succeed in new markets, or with new brands and community formats, or in activities other than the development, ownership and operation of residential rental communities may have adverse consequences.

We may from time to time commence development activity or make acquisitions outside of our existing market areas if appropriate opportunities arise. Our historical experience in our existing markets in developing, owning and operating rental communities does not ensure that we will be able to operate successfully in new markets, should we choose to enter them. We may be exposed to a variety of risks if we choose to enter new markets, including an inability to accurately evaluate local apartment market conditions; an inability to obtain land for development or to identify appropriate acquisition opportunities; an inability to hire and retain key personnel; and lack of familiarity with local governmental and permitting procedures.

Although we are primarily in the multifamily business, we also own and lease ancillary retail space when a retail component represents the best use of the space, as is often the case with large urban in-fill developments. We also may engage or have an interest in for-sale activity. We may be unsuccessful in owning and leasing retail space at our communities or in developing real estate with the intent to sell, which could have an adverse effect on our results of operations.

We are currently implementing two new brands of communities that target various customer preferences. We cannot assure that these brands will be successful or that our costs in developing and implementing these brands will result in incremental revenue and earnings.

Land we hold with no current intent to develop may be subject to future impairment charges.

We own parcels of land that we do not currently intend to develop. As discussed in Item 2., "Communities Other Land and Real Estate Assets," in the event that the fair market value of a parcel changes such that we determine that the carrying basis of the parcel reflected in our financial statements is greater than the parcel's then current fair value, less costs to dispose, we would be subject to an impairment charge, which would reduce our net income.

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Risks involved in real estate activity through joint ventures.

Instead of acquiring or developing apartment communities directly, at times we invest as a partner or a co-venturer. Joint venture investments (including investments through partnerships or limited liability companies) involve risks, including the possibility that our partner might become insolvent or otherwise refuse to make capital contributions when due; that we may be responsible to our partner for indemnifiable losses; that our partner might at any time have business goals which are inconsistent with ours; and that our partner may be in a position to take action or withhold consent contrary to our instructions or requests. Frequently, we and our partner may each have the right to trigger a buy-sell arrangement, which could cause us to sell our interest, or acquire our partner's interest, at a time when we otherwise would not have initiated such a transaction.

Risks associated with an investment in and management of discretionary real estate investment funds.

We formed Fund I and Fund II, in which we have an equity interest of 15.2% and 31.3%, respectively, which, through wholly-owned subsidiaries, we manage as the general partner and in which we have an aggregate equity investment, excluding costs incurred in excess of our equity in the underlying net assets of each respective fund, of approximately $129,059,000, net of distributions to us at December 31, 2012. The investment period for both Funds is over. These Funds present risks, including the following:

- our subsidiaries that are the general partners of the Funds are generally liable, under partnership law, for the debts and obligations of the respective Funds, subject to certain exculpation and indemnification rights pursuant to the terms of the partnership agreement of the Funds;

- investors in the Funds holding a majority of the partnership interests may remove us as the general partner without cause, subject to our right to receive an additional nine months of management fees after such removal and our right to acquire one of the properties then held by the Funds;

- while we have broad discretion to manage the Funds and make investment decisions on behalf of the Funds, the investors or an advisory committee comprised of representatives of the investors must approve certain matters, and as a result we may be unable to cause the Funds to implement certain decisions that we consider beneficial; and

- we may be liable and/or our status as a REIT may be jeopardized if either the Funds, or the REITs through which a number of investors have invested in the Funds and which we manage, fail to comply with various tax or other regulatory matters.

Risk of earthquake damage.

As further described in Item 2., "Communities Insurance and Risk of Uninsured Losses," many of our West Coast communities are located in the general vicinity of active earthquake faults. We cannot assure you that an earthquake would not cause damage or losses greater than insured levels. In the event of a loss in excess of insured limits, we could lose our capital invested in the affected community, as well as anticipated future revenue from that community. We would also continue to be obligated to repay any mortgage indebtedness or other obligations related to the community. Any such loss could materially and adversely affect our business and our financial condition and results of operations.

Insurance coverage for earthquakes can be costly due to limited industry capacity. As a result, we may experience shortages in desired coverage levels if market conditions are such that insurance is not available or the cost of insurance makes it, in management's view, economically impractical.

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A significant uninsured property or liability loss could have a material adverse effect on our financial condition and results of operations.

In addition to the earthquake insurance discussed above, we carry commercial general liability insurance, property insurance and terrorism insurance with respect to our communities on terms 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. If an uninsured property loss or a property loss in excess of insured limits were to occur, we could lose our capital invested in a community, as well as the anticipated future revenues from such community. We would also continue to be obligated to repay any mortgage indebtedness or other obligations related to the community. If an uninsured liability to a third party were to occur, we would incur the cost of defense and settlement with, or court ordered damages to, that third party. A significant uninsured property or liability loss could materially and adversely affect our business and our financial condition and results of operations.

We may incur costs and increased expenses to repair property damage resulting from inclement weather.

Particularly in New England and the Metro New York/New Jersey area, we are exposed to risks associated with inclement winter weather, including increased costs for the removal of snow and ice, repair of water and wind damage from storms, as well as from delays in construction. In addition, inclement weather could increase the need for maintenance and repair of our communities.

We may incur costs due to environmental contamination or non-compliance.

Under various federal, state and local environmental and public health laws, regulations and ordinances, we may be required, regardless of knowledge or responsibility, to investigate and remediate the effects of hazardous or toxic substances or petroleum product releases at our properties (including in some cases natural substances such as methane and radon gas) and may be held liable under these laws or common law to a governmental entity or to third parties for property, personal injury or natural resources damages and for investigation and remediation costs incurred as a result of the contamination. These damages and costs may be substantial and may exceed any insurance coverage we have for such events. The presence of such substances, or the failure to properly remediate the contamination, may adversely affect our ability to borrow against, develop, sell or rent the affected property.

In addition, some environmental laws create or allow a government agency to impose a lien on the contaminated site in favor of the government for damages and costs it incurs as a result of the contamination.

The development, construction and operation of our communities are subject to regulations and permitting under various federal, state and local laws, regulations and ordinances, which regulate matters including wetlands protection, storm water runoff and wastewater discharge. Such laws and regulations may impose restrictions on the manner in which our communities may be developed, and noncompliance with such laws and regulations may subject us to fines and penalties. We do not currently anticipate that we will incur any material liabilities as a result of noncompliance with these laws.

Certain federal, state and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos containing materials ("ACMs") when such materials are in poor condition or in the event of renovation or demolition of a building. These laws and the common law may impose liability for release of ACMs and may allow third parties to seek recovery from owners or operators of real properties for personal injury associated with exposure to ACMs. We are not aware that any ACMs were used in the construction of the communities we developed. ACMs were, however, used in the construction of a number of the communities that we acquired. We implement an operations and

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maintenance program at each of the communities at which ACMs are detected. We do not currently anticipate that we will incur any material liabilities as a result of the presence of ACMs at our communities.

We are aware that some of our communities have lead paint and have implemented an operations and maintenance program at each of those communities. We do not currently anticipate that we will incur any material liabilities as a result of the presence of lead paint at our communities.

Environmental agencies and third parties may assert claims for remediation or personal injury based on the alleged actual or potential intrusion into buildings of chemical vapors from soils or groundwater underlying or in the vicinity of those buildings or on nearby properties. We currently do not anticipate that we will incur any material liabilities as a result of vapor intrusion at our communities.

All of our stabilized operating communities, and all of the communities that we are currently developing, have been subjected to at least a Phase I or similar environmental assessment, which generally does not involve invasive techniques such as soil or ground water sampling. These assessments, together with subsurface assessments conducted on some properties, have not revealed, and we are not otherwise aware of, any environmental conditions that we believe would have a material adverse effect on our business, assets, financial condition or results of operations. In connection with our ownership, operation and development of communities, from time to time we undertake substantial remedial action in response to the presence of subsurface or other contaminants, including contaminants in soil, groundwater and soil vapor beneath or affecting our buildings. In some cases, an indemnity exists upon which we may be able to rely if environmental liability arises from the contamination or remediation costs exceed estimates. There can be no assurance, however, that all necessary remediation actions have been or will be undertaken at our properties or that we will be indemnified, in full or at all, in the event that environmental liability arises.

Mold growth may occur when excessive moisture accumulates in buildings or on building materials, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Although the occurrence of mold at multifamily and other structures, and the need to remediate such mold, is not a new phenomenon, there has been increased awareness in recent years that certain molds may in some instances lead to adverse health effects, including allergic or other reactions. To help limit mold growth, we educate residents about the importance of adequate ventilation and request or require that they notify us when they see mold or excessive moisture. We have established procedures for promptly addressing and remediating mold or excessive moisture from apartment homes when we become aware of its presence regardless of whether we or the resident believe a health risk is presented. However, we cannot provide assurance that mold or excessive moisture will be detected and remediated in a timely manner. If a significant mold problem arises at one of our communities, we could be required to undertake a costly remediation program to contain or remove the mold from the affected community and could be exposed to other liabilities that may exceed any applicable insurance coverage.

Additionally, we have occasionally been involved in developing, managing, leasing and operating various properties for third parties. Consequently, we may be considered to have been an operator of such properties and, therefore, potentially liable for removal or remediation costs or other potential costs which relate to the release or presence of hazardous or toxic substances or petroleum products at such properties. We are not aware of any material environmental liabilities with respect to properties managed or developed by us or our predecessors for such third parties.

We cannot assure you that:

- the environmental assessments described above have identified all potential environmental liabilities;

- no prior owner created any material environmental condition not known to us or the consultants who prepared the assessments;
- no environmental liabilities have developed since the environmental assessments were prepared;
- the condition of land or operations in the vicinity of our communities, such as the presence of underground storage tanks, will not affect the environmental condition of our communities;
- future uses or conditions, including, without limitation, changes in applicable environmental laws and regulations, will not result in the imposition of environmental liability; and
- no environmental liabilities will arise at communities that we have sold for which we may have liability.

Our success depends on key personnel whose continued service is not guaranteed.

Our success depends in part on our ability to attract and retain the services of executive officers and other personnel. Our executive officers make important capital allocation decisions or recommendations to our Board of Directors from among the opportunities identified by our regional offices. There is substantial competition for qualified personnel in the real estate industry, and the loss of several of our key personnel could adversely affect the Company.

Breaches of our data security could materially harm our business and reputation.

We collect and retain certain personal information provided by our residents and employees. While we have implemented a variety of security measures to protect the confidentiality of this information and periodically review and improve our security measures, there can be no assurance that we will be able to prevent unauthorized access to this information. Any breach of our data security measures and loss of this information may result in legal liability and costs (including damages and penalties), as well as damage to our reputation, that could materially and adversely affect our business and financial performance.

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.

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.

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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. 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, or TRSs, and will be subject to federal income tax at regular corporate rates on the income of those subsidiaries.

In addition, the Archstone Acquisition presents a risk to our qualification as a REIT. Although we intend to structure our ownership and operations of the assets and entities acquired in connection with the Archstone Acquisition, including our interest in joint ventures with Equity Residential, in a way that would allow us to continue to qualify as a REIT for federal income tax purposes, no assurances can be given that we will be successful.

As a result of the Archstone Acquisition and our ownership interests in the joint ventures with Equity Residential, we expect to acquire interests in certain assets and earn certain items of income that are not, or may not be, qualifying assets or income for purposes of the REIT asset and income tests. Although we do not expect that the amounts of such non-qualifying assets and income will jeopardize our REIT status, our review of the Archstone Acquisition is on-going, and we may discover additional non-qualifying assets or income. We may not have the immediate right to change the terms of pre-existing arrangements that generate non-qualifying items or may have to incur significant penalties to terminate such arrangements. To maintain our REIT qualification we may be required to hold significant assets acquired in connection with the Archstone Acquisition and some or all of our interests in the joint ventures with Equity Residential through our TRSs. We also may hold certain Archstone Acquisition assets through our TRSs to avoid the risk of incurring the 100% prohibited transaction tax on any such assets that we sell at a gain. Our domestic TRSs are subject to U.S. tax as regular corporations. Among the assets included in the Archstone Acquisition are subsidiaries intended to qualify as REITs. To the extent we hold such subsidiaries outside of our TRSs, 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 are expected to include interests in a partnership controlled by Equity Residential. As a result of our ownership interest in that joint venture, for purposes of our compliance with the REIT requirements we will be treated as owning our proportionate share of the assets of the Equity Residential partnership in which the joint venture has an interest. Although we expect Equity Residential to operate that partnership in compliance with the REIT requirements, because we do not expect to control the Equity Residential partnership in which the joint venture has an interest we cannot assure you that it will be operated in compliance with the REIT requirements, and failure to do so could potentially jeopardize our REIT status.

The ability of our stockholders to control our policies and effect a change of control of our company is limited by certain provisions of our charter and bylaws and by Maryland law.

There are provisions in our charter and bylaws that may discourage a third party from making a proposal to acquire us, even if some of our stockholders might consider the proposal to be in their best interests. These provisions include the following:

Our charter authorizes our Board of Directors to issue up to 50,000,000 shares of preferred stock without stockholder approval and to establish the preferences and rights, including voting rights, of any series of preferred stock issued. The Board of Directors may issue preferred stock without stockholder approval, which could allow the Board to issue one or more classes or series of preferred stock that could discourage or delay a tender offer or a change in control.

To maintain our qualification as a REIT for federal income tax purposes, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by or for five or fewer individuals at any time during the last half of any taxable year. To maintain this qualification, and/or to address

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other concerns about concentrations of ownership of our stock, our charter generally prohibits ownership (directly, indirectly by virtue of the attribution provisions of the Code, or beneficially as defined in Section 13 of the Securities Exchange Act) by any single stockholder of more than 9.8% of the issued and outstanding shares of any class or series of our stock. In general, under our charter, pension plans and mutual funds may directly and beneficially own up to 15% of the outstanding shares of any class or series of stock. Under our charter, our Board of Directors may in its sole discretion waive or modify the ownership limit for one or more persons, but is not required to do so even if such waiver would not affect our qualification as a REIT. Our Board of Directors modified this ownership limit with respect to the common stock we expect to issue to Lehman for the Archstone Acquisition. These ownership limits may prevent or delay a change in control and, as a result, could adversely affect our stockholders' ability to realize a premium for their shares of common stock.

As a Maryland corporation, we are subject to the provisions of the Maryland General Corporation Law. Maryland law imposes restrictions on some business combinations and requires compliance with statutory procedures before some mergers and acquisitions may occur, which may delay or prevent offers to acquire us or increase the difficulty of completing any offers, even if they are in our stockholders' best interests. In addition, other provisions of the Maryland General Corporation Law permit the Board of Directors to make elections and to take actions without stockholder approval (such as classifying our Board such that the entire Board is not up for re-election annually) that, if made or taken, could have the effect of discouraging or delaying a change in control.

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ITEM 1b. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. COMMUNITIES

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. 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 year ended December 31, 2012, the Established Communities are communities that are consolidated for financial reporting purposes, had stabilized occupancy and operating expenses as of January 1, 2011, 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 includes 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. For communities that we wholly own, redevelopment is considered substantial when capital invested during the reconstruction effort is expected to exceed the lesser of $5,000,000 or 10% of the community's capitalized cost and is expected to have a material impact on the community's operations and future rental rates. The occupancy levels of Redevelopment Communities may also be impacted to the extent we take multiple apartment homes out of service for an extended period of time. The definition of substantial redevelopment may differ for communities owned through a joint venture arrangement or by one of the Funds.

Development Communities are communities that are under construction and for which a certificate of occupancy has not been received for the entire community. 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 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.

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As of December 31, 2012, communities that we owned or held a direct or indirect interest in were classified as follows. The information presented in this table may materially change as a result of the expected Archstone Acquisition which we anticipate will occur in the first quarter of 2013.

	Number of communities	Number of apartment homes
Current Communities		
Established Communities:		
New England	28	7,066
Metro NY/NJ	22	7,784
Mid-Atlantic	11	4,748
Pacific Northwest	8	1,908
Northern California	18	5,220
Southern California	16	4,899
Total Established	103	31,625
Other Stabilized Communities:		
New England	12	2,251
Metro NY/NJ	14	4,360
Mid-Atlantic	10	3,809
Pacific Northwest	4	902
Northern California	9	2,490
Southern California	21	5,537
Total Other Stabilized	70	19,349
Lease-Up Communities	3	779
Redevelopment Communities(1)	4	1,039
Total Current Communities	180	52,792
Development Communities	23	6,599
Development Rights	34	9,602

(1) In addition to the four communities indicated, the Company commenced the redevelopment of two communities with an aggregate of 1,468 apartment homes during 2012, for which at December 31, 2012 the redevelopment activity is focused on the common areas and is not impacting community operations, including occupancy or rental revenue. These communities are therefore included in the Established Community portfolio.

Our holdings under each of the above categories are discussed on the following pages.

We generally establish the composition of our Established Communities portfolio annually. For the years ended December 31, 2012, 2011 and 2010, there were 11, 14 and 15 communities added, respectively to the Established Communities portfolio, and 17 communities removed in 2012, and seven communities removed in 2011 and 2010, from our Established Communities portfolio. We anticipate that we will reset the composition of our Established Community portfolio effective both January 1, 2014 and April 1, 2014. The expected reset of the Established Community portfolio on April 1, 2014 will occur as a result of the large number of stabilized communities we expect to acquire in the first quarter of 2013 as part of the Archstone Acquisition.

Current Communities

Our Current Communities include garden-style apartment communities consisting of multi-story buildings in landscaped settings, as well as mid and high rise apartment communities in urban settings.

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As of January 31, 2013, our current communities consisted of 119 garden-style (of which 16 are mixed communities and/or include town homes), 22 high-rise and 37 mid-rise apartment communities.

Our communities generally offer a variety of quality amenities and features, which may include:

- fully-equipped kitchens;
- lofts and vaulted ceilings;
- walk-in closets;
- fireplaces;
- patios/decks; and
- modern appliances.

Other features at various communities may include:

- swimming pools;
- fitness centers;
- tennis courts; and
- wi-fi lounges.

As described in Item 1, we operate under three core brands *Avalon, AVA,* and *Eaves by Avalon.* Our core *Avalon* brand focuses on upscale apartment living and high end amenities and services. *"AVA"* targets customers in high energy, transit-served urban neighborhoods and generally features smaller apartments, many of which are designed for roommate living with an emphasis on modern design and a technology focus. *"Eaves by Avalon"* is targeted to the cost conscious, "value" segment in suburban areas. We believe that these brands allow us to further penetrate our existing markets by targeting our market by consumer preference and attitude as well as by location and price.

We also have an extensive and ongoing maintenance program to continually maintain and enhance our communities and apartment homes. The aesthetic appeal of our communities and a service-oriented property management team, focused on the specific needs of residents, enhances market appeal to discriminating residents. We believe our mission of *Enhancing the Lives of our Residents* helps us achieve higher rental rates and occupancy levels while minimizing resident turnover and operating expenses.

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Our Current Communities are located in the following geographic markets. The information presented in this table may materially change as a result of the expected Archstone Acquisition which we anticipate will occur in the first quarter of 2013.

	Number of communities at		Number of apartment homes at		Percentage of total apartment homes at	
	1-31-12	**1-31-13**	**1-31-12**	**1-31-13**	**1-31-12**	**1-31-13**
New England	**39**	**42**	**9,114**	**9,652**	**17.2%**	**18.4%**
Boston, MA	26	29	6,254	6,792	11.8%	12.9%
Fairfield County, CT	13	13	2,860	2,860	5.4%	5.5%
Metro NY/NJ	**34**	**38**	**11,430**	**12,698**	**21.5%**	**24.2%**
Long Island, NY	7	8	1,932	2,281	3.6%	4.4%
Northern New Jersey	5	7	1,618	2,048	3.0%	3.9%
Central New Jersey	8	8	3,214	3,258	6.1%	6.2%
New York, NY	14	15	4,666	5,111	8.8%	9.7%
Mid-Atlantic	**26**	**21**	**9,557**	**8,493**	**18.0%**	**16.2%**
Washington, DC	23	21	8,696	8,493	16.4%	16.2%
Chicago, IL	3		861		1.6%	0.0%
Pacific Northwest	**14**	**12**	**3,443**	**2,810**	**6.5%**	**5.4%**
Seattle, WA	14	12	3,443	2,810	6.5%	5.4%
Northern California	**32**	**28**	**9,351**	**8,338**	**17.6%**	**15.9%**
Oakland-East Bay, CA	10	8	3,251	2,573	6.1%	4.9%
San Francisco, CA	11	11	2,522	2,535	4.8%	4.8%
San Jose, CA	11	9	3,578	3,230	6.7%	6.2%
Southern California	**35**	**37**	**10,195**	**10,436**	**19.2%**	**19.9%**
Los Angeles, CA	15	18	4,209	4,636	7.9%	8.8%
Orange County, CA	12	11	3,209	3,017	6.1%	5.8%
San Diego, CA	8	8	2,777	2,783	5.2%	5.3%
	180	178	53,090	52,427	100.0%	100.0%

We manage and operate substantially all of our Current Communities. During the year ended December 31, 2012, we completed construction of 1,934 apartment homes in eight communities, and sold 1,578 apartment homes in four communities. The average age of our Current Communities, on a weighted average basis according to number of apartment homes, is 17.8 years. When adjusted to reflect redevelopment activity, as if redevelopment were a new construction completion date, the weighted average age of our Current Communities is 10.5 years.

Of the Current Communities, as of January 31, 2013, we owned:

- a full fee simple, or absolute, ownership interest in 151 operating communities, ten of which are on land subject to land leases expiring in October 2026, November 2028, December 2034, December 2061, September 2065, April 2095, September 2105, April 2105, May 2105 and March 2142;

- a general partnership interest and an indirect limited partnership interest in both Fund I and Fund II. Subsidiaries of Fund I own a fee simple interest in ten operating communities, and subsidiaries of Fund II own a fee simple interest in 12 operating communities;

- a general partnership interest in one partnership structured as a "DownREIT," as described more fully below, that owns one community; and

- a membership interest in four limited liability companies, that each hold a fee simple interest in an operating community.

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For some communities, a land lease is used to support tax advantaged structures that ultimately allow us to purchase the land upon lease expiration. We have options to purchase the underlying land for the leases that expire in October 2026, November 2028, December 2034 and April 2095. We also hold, directly or through wholly-owned subsidiaries, the full fee simple ownership interest in 19 of the 23 Development Communities and a leasehold interest in four of the Development Communities with the land leases expiring in May 2041, July 2046, December 2086, and November 2106. Two of the four land leases (those expiring in 2046 and 2086) provide options for the Company to purchase the land at some point during the lease term.

In our partnership structured as a DownREIT, one of our wholly-owned subsidiaries is the general partner, and there are limited partners whose interest in the partnership is represented by units of limited partnership interest. Limited partners are entitled to receive an initial distribution before any distribution is made to the general partner. Under the partnership agreement for the DownREIT, the distributions per unit paid to the holders of units of limited partnership interests are equal to our current common stock dividend amount. The holders of units of limited partnership interest have the right to present all or some of their units for redemption for a cash amount as determined by the partnership agreement and based on the fair value of our common stock. In lieu of a cash redemption by the partnership, we may elect to acquire any unit presented for redemption for one share of our common stock or for such cash amount. As of January 31, 2013, there were 7,500 DownREIT partnership units outstanding. The DownREIT partnership is consolidated for financial reporting purposes.

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Profile of Current, Development and Unconsolidated Communities(1)

	City and state	Number of homes	Approx. rentable area (Sq. Ft.)	Acres	Year of completion/ acquisition	Average size (Sq. Ft.)	Physical occupancy at 12/31/12	Average economic occupancy 2012	Average economic occupancy 2011	Average rental rate $ per Apt(4)	Average rental rate $ per Sq. Ft.	Financial reporting cost(5)
CURRENT COMMUNITIES												
NEW ENGLAND												
Boston, MA												
Avalon at Lexington	Lexington, MA	198	230,072	16.1	1994	1,162	93.9%	96.1%(2)	96.3%	1,944	1.61	23,624
Avalon Oaks	Wilmington, MA	204	229,752	22.5	1999	1,126	96.1%	96.5%	96.4%	1,615	1.38	22,387
Eaves Quincy	Quincy, MA	245	224,538	8.0	1986/1996	916	93.9%	96.8%	94.5%(2)	1,524	1.61	25,485
Avalon Essex	Peabody, MA	154	198,478	11.1	2000	1,289	92.9%	97.0%	97.1%	1,762	1.33	23,113
Avalon at Prudential Center	Boston, MA	780	732,393	1.0	1968/1998	939	91.3%	95.1%(2)	95.8%	2,494	2.53	182,614
Avalon Oaks West	Wilmington, MA	120	133,376	27.0	2002	1,111	95.0%	96.3%	96.4%	1,551	1.34	17,331
Avalon Orchards	Marlborough, MA	156	175,399	23.0	2002	1,124	94.9%	97.1%	96.7%	1,612	1.39	22,574
Avalon at Newton Highlands(8)	Newton, MA	294	341,717	8.1	2003	1,162	93.2%	94.7%	95.0%	2,370	1.93	59,167
Avalon at The Pinehills	Plymouth, MA	101	151,712	6.0	2004	1,502	95.0%	96.5%	95.8%	2,006	1.29	20,025
Eaves Peabody	Peabody, MA	286	250,624	18.0	2004	876	95.1%	96.3%	97.2%	1,433	1.57	35,295
Avalon at Bedford Center	Bedford, MA	139	159,912	38.0	2005	1,150	95.0%	95.5%	96.4%	1,959	1.63	24,966
Avalon Chestnut Hill	Chestnut Hill, MA	204	270,956	5.0	2007	1,328	93.6%	94.9%	95.6%	2,717	1.94	61,123
Avalon Shrewsbury	Shrewsbury, MA	251	273,098	25.5	2007	1,088	93.6%	95.8%	96.1%	1,523	1.34	35,963
Avalon Danvers	Danvers, MA	433	492,222	75.0	2006	1,137	92.8%	95.5%	96.1%	1,637	1.37	84,357
Avalon at Lexington Hills	Lexington, MA	387	483,878	23.0	2007	1,250	94.1%	96.0%	95.9%	2,243	1.72	88,038
Avalon Acton	Acton, MA	380	374,787	50.3	2007	986	93.7%	96.7%	96.6%	1,518	1.49	63,129
Avalon Sharon	Sharon, MA	156	175,389	27.0	2007	1,124	93.6%	96.4%	96.1%	1,786	1.53	30,272
Avalon at Center Place(10)	Providence, RI	225	222,835	1.2	1991/1997	990	90.2%	96.1%(2)	96.0%	2,298	2.23	36,994
Avalon at Hingham Shipyard	Hingham, MA	235	290,951	13.0	2009	1,238	91.5%	94.4%	94.8%	2,261	1.72	53,836
Avalon Northborough	Northborough, MA	163	182,757	14.0	2009	1,121	93.9%	96.6%	96.7%	1,616	1.39	25,684
Avalon Blue Hills	Randolph, MA	276	269,675	2.9	2009	977	93.5%	96.2%	96.1%	1,510	1.49	45,846
Avalon Northborough II	Northborough, MA	219	271,031	17.7	2010	1,238	92.7%	96.1%	95.5%	1,765	1.37	34,914
Avalon at Pinehills II	Plymouth, MA	91	103,519	4.5	2011	1,138	86.8%	95.5%	47.6%(3)	1,724	1.45	17,362
Avalon Cohasset	Cohasset, MA	220	293,272	62.0	2012	1,333	92.3%	70.8%(3)	13.0%(3)	1,905	1.01(3)	54,855
Avalon Andover	Andover, MA	115	132,918	9.1	2012	1,156	87.8%	63.1%(3)	N/A	1,905	1.04(3)	25,936
Eaves Burlington	Burlington, MA	203	194,180	14.8	1988/2012	957	96.1%	96.1%(3)	N/A	1,504	1.57(3)	40,250
Fairfield-New Haven, CT												
Eaves Trumbull	Trumbull, CT	340	379,062	37.0	1997	1,115	93.8%	96.0%	96.7%	1,746	1.50	38,262
Avalon Glen	Stamford, CT	238	222,165	4.1	1991	933	90.8%	96.2%	97.0%	1,965	2.02	33,792
Avalon Wilton I	Wilton, CT	102	158,259	12.0	1997	1,552	97.1%	94.9%(2)	95.3%	2,944	1.80	22,352
Avalon Valley	Danbury, CT	268	299,923	17.1	1999	1,119	93.3%	96.1%	96.9%	1,667	1.43	26,617
Avalon on Stamford Harbor	Stamford, CT	323	322,461	12.1	2003	998	92.3%	95.5%	95.7%	2,529	2.42	63,531
Avalon New Canaan(9)	New Canaan, CT	104	132,080	9.1	2002	1,270	95.2%	94.5%	94.7%	3,169	2.36	24,596

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Profile of Current, Development and Unconsolidated Communities(1)

	City and state	Number of homes	Approx. rentable area (Sq. Ft.)	Acres	Year of completion/ acquisition	Average size (Sq. Ft.)	Physical occupancy at 12/31/12	Average economic occupancy 2012	Average economic occupancy 2011	Average rental rate $ per Apt(4)	Average rental rate $ per Sq. Ft.	Financial reporting cost(5)
CURRENT COMMUNITIES												
Avalon at Greyrock Place	Stamford, CT	306	315,380	3.0	2002	1,031	94.1%	96.3%	96.6%	2,277	2.13	71,340
Avalon Danbury	Danbury, CT	234	235,320	35.0	2005	1,006	91.9%	96.1%	97.2%	1,675	1.60	35,978
Avalon Darien	Darien, CT	189	242,675	30.0	2004	1,284	93.7%	95.8%	96.4%	2,755	2.06	42,508
Avalon Milford I	Milford, CT	246	217,077	22.0	2004	882	93.9%	95.7%	97.5%	1,562	1.69	31,874
Avalon Huntington	Shelton, CT	99	139,869	7.1	2008	1,413	88.9%	96.0%	96.1%	2,286	1.55	25,384
Avalon Norwalk	Norwalk, CT	311	310,629	4.4	2011	999	92.6%	95.6%	86.5%(3)	2,114	2.02	74,230
Avalon Wilton II	Wilton, CT	100	129,466	6.0	2011	1,295	91.0%	93.1%	43.8%(3)	2,125	1.53	30,331
METRO NY/NJ												
Long Island, NY												
Avalon Commons	Smithtown, NY	312	377,143	20.6	1997	1,209	90.1%	97.3%	96.1%(2)	2,249	1.81	38,626
Avalon Towers	Long Beach, NY	109	124,611	1.3	1990/1995	1,143	87.2%	96.4%	96.3%	3,255	2.74	21,953
Avalon Court	Melville, NY	494	596,874	35.4	1997/2000	1,208	95.3%	96.2%	95.4%	2,617	2.08	61,790
Avalon at Glen Cove(10)	Glen Cove, NY	256	261,425	4.0	2004	1,021	95.3%	96.6%	96.8%	2,506	2.37	68,368
Avalon Pines	Coram, NY	450	545,989	52.0	2005/2006	1,213	94.2%	96.0%	96.3%	2,103	1.66	71,787
Avalon at Glen Cove North(10)	Glen Cove, NY	111	100,754	1.3	2007	908	93.7%	97.0%	96.1%	2,325	2.49	39,996
Avalon Charles Pond	Coram, NY	200	208,532	41.0	2009	1,043	91.5%	95.8%	96.4%	1,878	1.73	48,361
Avalon Rockville Centre	Rockville Centre, NY	349	349,048	7.0	2012	1,000	98.0%	81.2%(3)	27.7%(3)	2,759	2.24(3)	110,279
Northern New Jersey												
Avalon Cove	Jersey City, NJ	504	574,339	11.0	1997	1,140	93.5%	96.0%(2)	95.5%(2)	3,049	2.57	111,576
Avalon at Edgewater	Edgewater, NJ	408	428,792	7.1	2002	1,051	92.4%	96.7%	96.7%	2,512	2.31	77,736
Avalon at Florham Park	Florham Park, NJ	270	330,410	41.9	2001	1,224	91.5%	96.7%	96.5%	2,725	2.15	42,721
Avalon Lyndhurst	Lyndhurst, NJ	328	330,408	5.8	2006	1,007	91.5%	96.1%	96.3%	2,211	2.11	78,941
Avalon North Bergen	North Bergen, NJ	164	146,170	2.2	2012	891	95.7%	62.7%(3)	N/A	2,078	1.46(3)	39,902
Avalon at Wesmont Station I	Wood-Ridge, NJ	266	242,637	4.9	2012	912	97.7%	48.4%(3)	N/A	2,005	1.06(3)	56,533
Central New Jersey												
Avalon Run(7)	Lawrenceville, NJ	632	707,592	36.0	1994/1996	1,120	92.2%	96.1%	95.7%	1,555	1.33	77,371
Avalon Princeton Junction	West Windsor, NJ	512	486,069	64.0	1988	949	93.6%	96.6%	93.8%(2)	1,577	1.61	48,552
Avalon at Freehold	Freehold, NJ	296	317,356	42.3	2002	1,072	95.9%	97.5%	96.2%	1,834	1.67	34,963
Avalon Run East II	Lawrenceville, NJ	312	341,320	70.0	2003	1,094	91.0%	96.6%	96.1%	1,887	1.67	52,704
Avalon at Tinton Falls	Tinton Falls, NJ	216	237,747	35.0	2007	1,101	94.0%	96.8%	95.8%	1,823	1.60	41,115
Avalon West Long Branch	West Long Branch, NJ	180	193,511	4.8	2011	1,075	94.4%	98.0%	88.0%(3)	1,815	1.66	25,660

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CURRENT COMMUNITIES												
New York, NY												
Eaves Nanuet	Nanuet, NY	504	608,842	54.0	1998	1,208	94.0%	97.2%	96.4%	2,155	1.74	56,666
Avalon Green	Elmsford, NY	105	113,538	16.9	1995	1,081	95.2%	97.5%	95.7%	2,364	2.13	13,715
Avalon Willow	Mamaroneck, NY	227	216,161	4.0	2000	952	93.4%	96.4%	95.8%	2,317	2.34	48,186
The Avalon	Bronxville, NY	110	118,952	1.5	1999	1,081	89.1%	96.0%(2)	94.5%	3,896	3.46	34,393
Avalon Riverview I(10)	Long Island City, NY	372	332,991	1.0	2002	895	90.6%	96.4%	96.2%	3,342	3.60	96,387
Avalon Bowery Place I	New York, NY	206	152,725	1.1	2006	741	95.6%	97.0%	97.1%	4,613	6.03	96,184
Avalon Riverview North(10)	Long Island City, NY	602	477,665	1.8	2007	793	92.2%	96.3%	96.0%	3,110	3.78	167,690
Avalon on the Sound East(10)	New Rochelle, NY	588	561,981	2.0	2007	956	93.2%	96.3%	95.8%	2,393	2.41	187,239
Avalon Bowery Place II	New York, NY	90	73,596	1.1	2007	818	93.3%	96.9%	97.2%	4,411	5.23	56,964
Avalon White Plains	White Plains, NY	407	372,406	3.2	2009	915	92.6%	96.5%	96.0%	2,834	2.99	152,755
Avalon Morningside Park(10)	New York, NY	295	245,320	0.8	2009	832	92.9%	95.7%	95.9%	3,287	3.78	115,102
Avalon Fort Greene	Brooklyn, NY	631	498,651	1.0	2010	790	94.8%	96.0%	95.4%	2,974	3.61	302,043
Avalon Green II	Elmsford, NY	444	533,539	68.5	2012	1,202	94.4%	55.0%(3)	9.2%(3)	2,478	1.13(3)	102,874
MID-ATLANTIC												
Baltimore, MD												
Avalon at Fairway Hills(7)	Columbia, MD	720	724,027	44.0	1987/1996	1,006	92.1%	95.6%(2)	95.3%	1,487	1.41(2)	53,528
Eaves Columbia Town Center	Columbia, MD	392	395,860	22.7	1986	1,010	90.8%	95.8%	96.0%	1,518	1.44	55,713
Washington, DC												
Avalon at Foxhall	Washington, DC	308	297,875	2.7	1982	967	92.2%	93.7%	94.7%	2,615	2.53	45,527
Avalon at Gallery Place	Washington, DC	203	184,157	0.5	2003	907	92.6%	96.3%	96.3%	2,824	3.00	49,079
Avalon at Decoverly	Rockville, MD	564	551,006	46.0	1991/1995/ 2007	977	91.5%	95.5%	95.0%(2)	1,625	1.59	70,243
Eaves Washingtonian Center I	Gaithersburg, MD	192	191,280	5.7	1996	996	95.8%	96.4%	97.5%	1,517	1.47	14,785
Eaves Washingtonian Center II	Gaithersburg, MD	96	99,386	3.5	1998	1,035	90.6%	94.5%	93.9%	1,724	1.57	8,388
Avalon at Grosvenor Station	North Bethesda, MD	497	476,585	9.9	2004	959	91.5%	96.2%	95.2%	1,959	1.96	83,090
Avalon at Traville	North Potomac, MD	520	573,717	47.9	2004	1,103	90.8%	96.9%	96.3%	1,903	1.67	70,337
Eaves Fair Lakes	Fairfax, VA	420	355,228	24.2	1989/1996	846	90.5%	96.8%	96.8%	1,519	1.74	38,157
AVA Ballston	Arlington, VA	344	294,271	4.1	1990	855	93.0%	92.8%(2)	95.3%(2)	2,084	2.26	51,694
Eaves Fairfax City	Fairfax, VA	141	148,282	4.0	1988/1997	1,052	92.9%	95.6%(2)	97.2%	1,720	1.56	15,686
Avalon Crescent	McLean, VA	558	613,426	19.1	1996	1,099	92.5%	96.2%	95.8%	2,058	1.80	58,405
Avalon at Arlington Square	Arlington, VA	842	895,781	18.9	2001	1,064	93.1%	95.7%	94.8%	2,102	1.89	114,739
Fairfax Towers	Falls Church, VA	415	336,051	17.0	1978/2011	810	89.2%	96.8%	94.3%(3)	1,714	2.05	92,709

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CURRENT COMMUNITIES												
PACIFIC NORTHWEST												
Seattle, WA												
Avalon Redmond Place	Redmond, WA	222	211,450	8.4	1991/1997	952	94.6%	96.2%	95.8%	1,445	1.46	32,377
Avalon at Bear Creek	Redmond, WA	264	288,250	22.2	1998	1,092	93.6%	95.5%	95.1%	1,457	1.27	37,556
Avalon Bellevue	Bellevue, WA	200	163,801	1.7	2001	819	94.0%	96.5%	95.0%	1,635	1.93	31,915
Avalon RockMeadow	Bothell, WA	206	243,958	11.2	2000	1,184	92.7%	96.2%	94.5%	1,361	1.11	26,000
Avalon ParcSquare	Redmond, WA	124	127,251	2.0	2000	1,026	90.3%	96.3%	96.1%	1,646	1.54	21,109
Avalon Brandemoor	Lynwood, WA	424	453,602	22.6	2001	1,070	92.5%	96.1%	94.5%	1,222	1.10	46,846
AVA Belltown	Seattle, WA	100	82,418	0.7	2001	824	90.0%	97.2%	95.5%	1,801	2.12	19,244
Avalon Meydenbauer	Bellevue, WA	368	331,945	3.6	2008	902	92.4%	96.8%	94.8%	1,726	1.85	91,242
Avalon Towers Bellevue(10)	Bellevue, WA	397	331,366	1.5	2011	835	92.9%	95.4%	83.2%(3)	2,000	2.29	123,238
AVA Queen Anne	Seattle, WA	203	164,644	1.0	2012	811	92.1%	69.0%(3)	8.5%(3)	1,930	1.64(3)	53,664
Avalon Brandemoor II	Lynwood, WA	82	93,320	3.8	2011	1,138	92.7%	94.0%	61.6%(3)	1,515	1.25	13,998
NORTHERN CALIFORNIA												
Oakland-East Bay, CA												
Avalon Fremont	Fremont, CA	308	316,052	22.3	1994	1,026	94.5%	96.8%	96.6%	1,864	1.76	58,910
Eaves Dublin	Dublin, CA	204	179,004	13.0	1989/1997	877	89.7%	95.8%	96.1%	1,716	1.87	29,329
Eaves Pleasanton	Pleasanton, CA	456	366,062	14.7	1988/1994	803	94.5%	95.3%	92.8%(2)	1,649	1.96	79,423
Eaves Union City	Union City, CA	208	150,225	8.5	1973/1996	722	92.8%	97.1%	96.6%	1,361	1.83	23,786
Eaves Fremont	Fremont, CA	235	191,935	13.5	1985/1994	817	94.0%	96.1%	97.1%	1,672	1.97	42,893
Avalon at Dublin Station	Dublin, CA	305	299,335	4.4	2006	981	91.5%	96.4%	95.3%	1,958	1.92	84,510
Avalon Union City	Union City, CA	439	429,892	6.0	2009	979	92.9%	96.3%	96.2%	1,725	1.70	118,874
Avalon Walnut Creek(10)	Walnut Creek, CA	418	410,141	5.3	2010	981	90.9%	95.8%	91.5%(3)	2,117	2.07	146,251
San Francisco, CA												
Eaves Daly City	Daly City, CA	195	141,411	7.0	1972/1997	725	95.4%	97.0%	97.2%	1,776	2.38	32,436
AVA Nob Hill	San Francisco, CA	185	108,962	1.4	1990/1995	589	93.0%	97.2%	96.5%(2)	2,284	3.77	33,828
Eaves San Rafael	San Rafael, CA	254	221,780	21.9	1973/1996	873	92.5%	96.4%	88.6%(2)	1,759	1.94	46,508
Eaves Foster City	Foster City, CA	288	222,364	11.0	1973/1994	772	94.1%	91.9%(2)	96.4%(2)	1,847	2.20	50,454
Avalon Pacifica	Pacifica, CA	220	186,800	21.9	1971/1995	849	93.2%	96.3%	96.6%	1,747	1.98	33,037
Avalon Sunset Towers	San Francisco, CA	243	171,836	16.0	1961/1996	707	93.4%	96.1%(2)	95.6%(2)	2,173	2.95	39,430
Eaves Diamond Heights	San Francisco, CA	154	123,047	3.0	1972/1994	799	94.8%	96.1%	97.0%	2,170	2.61	29,601
Avalon at Mission Bay North	San Francisco, CA	250	241,788	1.4	2003	967	94.4%	96.7%	96.1%	3,658	3.66	94,365
Avalon at Mission Bay III	San Francisco, CA	260	261,169	1.5	2009	1,004	91.9%	96.3%	95.0%	3,696	3.54	147,870
Avalon Ocean Avenue	San Francisco, CA	173	161,083	1.9	2012	931	97.7%	47.5%(3)	N/A	3,016	1.54(3)	57,839

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CURRENT COMMUNITIES												
San Jose, CA												
Avalon Campbell	Campbell, CA	348	326,796	10.8	1995	939	91.4%	95.7%(2)	96.5%	1,909	1.94	61,555
Eaves San Jose	San Jose, CA	440	387,420	17.6	1985/1996	881	90.7%	93.8%(2)	95.5%(2)	1,703	1.81(2)	81,684
Avalon on the Alameda	San Jose, CA	305	299,762	8.9	1999	983	92.1%	96.2%	96.2%	2,195	2.15	57,894
Avalon Rosewalk	San Jose, CA	456	448,512	16.6	1997/1999	984	93.6%	95.6%	95.5%	1,857	1.80	80,937
Avalon Silicon Valley	Sunnyvale, CA	710	653,929	13.6	1997/1998	921	93.2%	95.2%	95.5%	2,207	2.28	125,023
Avalon Mountain View(9)	Mountain View, CA	248	211,552	10.5	1986	853	91.5%	96.3%	96.2%	2,359	2.66	58,651
Avalon at Creekside	Mountain View, CA	294	215,680	15.0	1962/1997	734	92.2%	96.5%	97.1%	1,801	2.37	43,779
Avalon at Cahill Park	San Jose, CA	218	218,177	3.8	2002	1,001	93.6%	95.8%	95.9%	2,238	2.14	52,994
Avalon Towers on the Peninsula	Mountain View, CA	211	218,392	1.9	2002	1,035	97.2%	95.2%	96.1%	3,086	2.84	66,504
SOUTHERN CALIFORNIA												
Orange County, CA												
AVA Newport	Costa Mesa, CA	145	122,415	6.6	1956/1996	844	91.7%	94.9%(2)	96.6%	1,747	1.96	15,116
Avalon Mission Viejo	Mission Viejo, CA	166	124,500	7.8	1984/1996	750	94.0%	96.6%	97.1%	1,287	1.66	14,212
Eaves South Coast	Costa Mesa, CA	258	207,672	8.9	1973/1996	805	93.8%	95.7%	93.6%(2)	1,523	1.81	33,514
Eaves Santa Margarita	Rancho Santa Margarita, CA	301	229,593	20.0	1990/1997	763	91.4%	94.4%(2)	96.3%	1,396	1.73(2)	31,493
Eaves Huntington Beach	Huntington Beach, CA	304	268,000	9.7	1971/1997	882	94.1%	96.3%	95.5%	1,547	1.69	34,017
Avalon Anaheim Stadium	Anaheim, CA	251	302,480	3.5	2009	1,205	92.0%	95.4%	96.2%	2,233	1.77	97,526
Avalon Irvine	Irvine, CA	279	243,157	4.5	2010	872	90.7%	95.1%	95.5%	1,760	1.92	77,440
The Springs(6)	Corona, CA	320	241,440	13.3	1987/2006	755	93.8%	96.9%	97.1%	1,070	1.37	30,025
Eaves Lake Forest	Lake Forest, CA	225	215,319	8.2	1975/2011	957	92.9%	95.5%	95.5%(3)	1,467	1.46	26,334
San Diego, CA												
Avalon at Mission Bay	San Diego, CA	564	402,285	12.9	1969/1997	713	92.4%	96.2%	96.3%	1,456	1.96	68,097
Eaves Mission Ridge	San Diego, CA	200	207,700	4.0	1960/1997	1,039	92.0%	95.9%	95.9%	1,713	1.58	24,513
AVA Cortez Hill(10)	San Diego, CA	299	230,395	1.2	1973/1998	771	91.3%	92.3%(2)	95.3%(2)	1,596	1.91	44,461
Avalon Fashion Valley	San Diego, CA	161	183,802	1.8	2008	1,142	86.3%	94.2%	94.5%	2,380	1.77	64,767
Eaves San Marcos	San Marcos, CA	184	161,352	10.8	1988/2011	877	97.3%	96.6%	95.2%(3)	2,381	1.62	16,662
Eaves Rancho Penasquitos	San Diego, CA	250	191,256	10.2	1986/2011	765	95.6%	94.4%	94.1%(3)	2,382	1.75	33,835

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CURRENT COMMUNITIES												
Los Angeles, CA												
Avalon at Media Center	Burbank, CA	748	530,084	14.7	1961/1997	709	93.2%	97.2%(2)	95.7%	1,464	2.01	79,481
Avalon Woodland Hills	Woodland Hills, CA	663	594,396	18.2	1989/1997	897	95.2%	96.7%	95.8%	1,648	1.78	110,888
Eaves Warner Center	Woodland Hills, CA	227	191,443	6.8	1979/1998	843	94.7%	97.4%	96.7%	1,554	1.79	29,081
Avalon at Glendale(10)	Burbank, CA	223	241,714	5.1	2003	1,084	96.0%	96.8%	96.2%	2,278	2.03	41,929
Avalon Burbank	Burbank, CA	400	360,587	6.9	1988/2002	901	94.3%	96.1%	95.2%	2,195	2.34	94,642
Avalon Camarillo	Camarillo, CA	249	233,302	9.6	2006	937	92.8%	96.3%	96.9%	1,640	1.69	48,786
Avalon Wilshire	Los Angeles, CA	123	125,093	1.7	2007	1,017	90.2%	96.2%	94.7%	2,633	2.49	47,264
Avalon Encino	Los Angeles, CA	131	131,220	2.0	2008	1,002	96.2%	97.4%	97.8%	2,580	2.51	62,218
Avalon Warner Place	Canoga Park, CA	210	186,402	3.3	2007	888	93.8%	96.6%	96.4%	1,666	1.81	52,880
Eaves Phillips Ranch	Pomona, CA	501	498,036	32.2	1989/2011	994	93.8%	96.4%	94.4%(3)	1,470	1.42	51,536
Eaves San Dimas	San Dimas, CA	102	94,200	5.1	1978/2011	924	97.1%	96.6%	97.1%(3)	1,316	1.38	9,736
Eaves San Dimas Canyon	San Dimas, CA	156	144,669	7.9	1981/2011	927	93.6%	96.6%	96.3%(3)	1,397	1.45	15,382
The Mark Pasadena	Pasadena, CA	84	70,648	1.2	1973/2012	841	94.0%	97.9%(3)	N/A	1,755	2.04(3)	19,947
Eaves Cerritos	Artesia, CA	151	106,889	3.4	1973/2012	708	92.7%	93.7%(3)	N/A	1,387	1.84(3)	29,500
Avalon Del Rey	Del Rey, CA	309	283,183	4.5	2006/2012	916	93.2%	95.1%(3)	95.9%	2,733	2.89(3)	103,007
DEVELOPMENT COMMUNITIES												
Avalon Park Crest	Tysons Corner, VA	354	288,160	2.8	N/A	814	57.1%	29.4%(3)	N/A	2,036	1.33(3)	75,880
Avalon Garden City	Garden City, NY	204	287,669	11.3	N/A	1,410	90.2%	28.8%(3)	N/A	3,420	0.75(3)	64,924
Avalon Exeter(10)	Boston, MA	187	199,910	0.3	N/A	1,069	N/A	N/A	N/A	N/A	N/A	46,779
Avalon Irvine II	Irvine, CA	179	163,218	2.8	N/A	912	15.6%	8.3%(3)	N/A	2,012	1.10(3)	42,851
AVA Ballard	Seattle, WA	265	189,849	1.4	N/A	716	N/A	N/A	N/A	N/A	N/A	55,026
Avalon Shelton III	Shelton, CT	251	250,282	4.3	N/A	997	N/A	N/A	N/A	N/A	N/A	32,026
Avalon Hackensack(10)	Hackensack, NJ	226	228,260	4.2	N/A	1,010	N/A	N/A	N/A	N/A	N/A	27,101
AVA H Street	Washington, DC	138	94,798	0.7	N/A	687	11.6%	4.7%(3)	N/A	2,216	1.82(3)	30,173
Avalon West Chelsea/AVA High Line(10)	New York, NY	715	496,749	1.5	N/A	695	N/A	N/A	N/A	N/A	N/A	88,735
Avalon Natick	Natick, MA	407	369,827	6.5	N/A	909	N/A	N/A	N/A	N/A	N/A	54,808
Avalon Somerset	Somerset, NJ	384	389,392	11.6	N/A	1,014	23.2%	6.6%(3)	N/A	2,683	0.42(3)	53,161
Avalon Mosaic	Tysons Corner, VA	531	457,191	4.8	N/A	861	N/A	N/A	N/A	N/A	N/A	59,928
Avalon/AVA Assembly Row(10)	Somerville, MA	448	385,728	4.5	N/A	861	N/A	N/A	N/A	N/A	N/A	38,506
Avalon East Norwalk	Norwalk, CT	240	228,000	37.0	N/A	950	N/A	N/A	N/A	N/A	N/A	15,890

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Profile of Current, Development and Unconsolidated Communities(1)

	City and state	Number of homes	Approx. rentable area (Sq. Ft.)	Acres	Year of completion/ acquisition	Average size (Sq. Ft.)	Physical occupancy at 12/31/12	Average economic occupancy 2012	Average economic occupancy 2011	Average rental rate $ per Apt(4)	Average rental rate $ per Sq. Ft.	Financial reporting cost(5)
CURRENT COMMUNITIES												
AVA University District	Seattle, WA	283	200,364	1.3	N/A	708	N/A	N/A	N/A	N/A	N/A	29,461
Avalon Dublin Station II	Dublin, CA	255	249,390	3.3	N/A	978	N/A	N/A	N/A	N/A	N/A	37,730
Avalon Morrison Park	San Jose, CA	250	277,000	4.4	N/A	1,108	N/A	N/A	N/A	N/A	N/A	31,450
AVA 55 Ninth	San Francisco, CA	273	236,691	0.8	N/A	867	N/A	N/A	N/A	N/A	N/A	39,750
Avalon Bloomingdale	Bloomingdale, NJ	174	178,872	11.6	N/A	1,028	N/A	N/A	N/A	N/A	N/A	6,963
Avalon at Wesmont Station II	Wood-Ridge, NJ	140	147,140	2.7	N/A	1,051	N/A	N/A	N/A	N/A	N/A	13,276
Avalon Wharton	Wharton, NJ	248	246,814	8.0	N/A	995	N/A	N/A	N/A	N/A	N/A	1,925
Avalon Ossining	Ossining, NY	168	179,316	23.0	N/A	1,067	N/A	N/A	N/A	N/A	N/A	7,901
AVA Little Tokyo	Los Angeles, CA	401	282,917	2.7	N/A	706	N/A	N/A	N/A	N/A	N/A	27,546
UNCONSOLIDATED COMMUNITIES												
Avalon at Mission Bay North II(9)	San Francisco, CA	313	291,556	1.5	2006	931	94.6%	96.3%	95.5%	3,519	3.64	N/A
Avalon Chrystie Place I(9)	New York, NY	361	266,940	1.3	2005	739	#N/A	95.7%	95.9%	4,503	5.83	N/A
Avalon Sunset(6)	Los Angeles, CA	82	72,604	0.8	1987/2005	885	95.1%	96.1%	96.0%	1,944	2.11	N/A
Civic Center(6)	Norwalk, CA	192	173,568	8.5	1987/2005	904	92.2%	95.7%	94.9%	1,614	1.71	N/A
Avalon Yerba Buena(6)(12)	San Francisco, CA	160	125,866	0.9	2000/2006	787	92.5%	96.6%	96.4%	3,280	4.03	N/A
South Hills Apartments(6)	West Covina, CA	85	104,600	5.3	1966/2007	1,231	96.5%	96.4%	96.5%	1,784	1.40	N/A
Middlesex Crossing(6)	Billerica, MA	252	188,915	13.0	2007	750	95.2%	97.2%	97.2%	1,368	1.77	N/A
Weymouth Place(6)	Weymouth, MA	211	154,957	7.7	1971/2007	734	91.9%	97.3%	97.4%	1,280	1.69	N/A
Avalon Cedar Place(6)	Columbia, MD	156	150,376	17.0	1972/2006	964	91.0%	96.4%	96.1%	1,337	1.34	N/A
Avalon Centerpoint(6)	Baltimore, MD	392	312,356	6.9	2005/2007	797	95.5%	96.6%	96.8%	924	1.12	N/A
Avalon at Rutherford Station(6)	East Rutherford, NJ	108	112,709	1.5	2005/2007	1,044	92.6%	95.9%	95.8%	2,357	2.17	N/A
Avalon Crystal Hill(6)	Pomona, NY	169	215,386	12.1	2001/2007	1,274	93.5%	96.8%	96.2%	2,091	1.59	N/A
Avalon Fair Oaks(11)	Fairfax, VA	491	373,843	13.5	1987/2009	761	92.5%	97.0%	96.4%	1,489	1.90	N/A
Avalon Bellevue Park(11)	Bellevue, WA	220	165,948	1.8	1994/2009	754	93.6%	95.7%	94.6%	1,406	1.78	N/A
Eaves Tustin(11)	Tustin, CA	628	512,022	23.5	1968/2010	815	94.7%	95.1%	96.0%	1,405	1.64	N/A
Eaves Los Alisos(11)	Lake Forest, CA	140	126,480	9.1	1978/2010	903	95.7%	95.6%	96.1%	1,380	1.46	N/A
Eaves Carlsbad(11)	San Diego, CA	449	339,152	29.0	1985/2011	755	96.0%	96.3%	93.4%(3)	1,324	1.69	N/A
Eaves Rancho San Diego(11)	San Diego, CA	676	587,500	29.3	1985/2011	869	92.8%	95.9%	95.4%(3)	1,403	1.55	N/A

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Profile of Current, Development and Unconsolidated Communities(1)

	City and state	Number of homes	Approx. rentable area (Sq. Ft.)	Acres	Year of completion/ acquisition	Average size (Sq. Ft.)	Physical occupancy at 12/31/12	Average economic occupancy 2012	Average economic occupancy 2011	Average rental rate $ per Apt(4)	Average rental rate $ per Sq. Ft.	Financial reporting cost(5)
CURRENT COMMUNITIES												
Avalon Rothbury(11)(12)	Gaithersburg, MD	205	228,114	11.8	2006/2010	1,113	93.2%	95.0%	95.8%	1,527	1.30	N/A
Briarwood Apartments(11)	Owings Mills, MD	348	340,868	16.0	1999/2010	980	92.5%	96.1%	95.6%	1,253	1.23	N/A
Eaves Gaithersburg(11)	Gaithersburg, MD	684	658,856	39.9	1974/2010	963	94.7%	95.4%	94.2%	1,292	1.28	N/A
Eaves Rockville(11)	Rockville, MD	210	403,912	14.5	1970/2011	1,923	91.9%	90.2%	95.4%	2,099	0.98	N/A
Fox Run Apartments(11)	Plainsboro, NJ	776	553,320	46.4	1973/2010	713	93.2%	96.6%	95.3%	1,145	1.55	N/A
Captain Parker Arms(11)	Lexington, MA	94	88,680	9.0	1965/2011	943	94.7%	96.0%	98.4%	1,943	1.98	N/A
Avalon Watchung(11)	Watchung, NJ	334	336,586	24.7	2003/2012	1,008	94.9%	96.2%(3)	N/A	1,868	1.78(3)	N/A

1. We own a fee simple interest in the communities listed, excepted as noted below. The information presented in this table may materially change as a result of the expected Archstone Acquisition which we anticipate will occur in the first quarter of 2013.

2. Represents a community that was under redevelopment during the year, which could result in lower average economic occupancy and average rental rate per square foot for the year.

3. Represents a community that is under construction at 12/31/12, or that completed development or was purchased during the year, which could result in lower average economic occupancy and average rental rate per square foot for the year.

4. Represents the average rental revenue per occupied apartment home.

5. Dollars in thousands. Costs are presented in accordance with GAAP. For current Development Communities, cost represents total costs incurred through December 31, 2012. Financial reporting costs are excluded for unconsolidated communities, see Note 5, "Investments in Real Estate Entities."

6. We own a 15.2% combined general partnership and indirect limited partner equity interest in this community.

7. We own a general partnership interest in a partnership that owns a fee simple interest in this community.

8. We own a general partnership interest in a partnership structured as a DownREIT that owns this community.

9. We own a membership interest in a limited liability company that holds a fee simple interest in this community.

10. Community is located on land subject to a land lease.

11. We own a 31.3% combined general partnership and indirect limited partner equity interest in this community.

12. The Funds sold these communities in 2013.

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Development Communities

As of December 31, 2012, we had 23 Development Communities under construction. We expect these Development Communities, when completed, to add a total of 6,599 apartment homes to our portfolio for a total capitalized cost, including land acquisition costs, of approximately $1,832,900,000. In addition, the land for four Development Communities that we control under long-term land lease agreements are subject to future minimum rental amounts of approximately $9,302,000 per year in the aggregate. You should carefully review Item 1a., "Risk Factors," for a discussion of the risks associated with development activity and our discussion under Item 7., "Management's Discussion and Analysis of Financial Condition and Results of Operations," for further discussion of 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 except where noted. The information presented in this table may materially change as a result of the expected Archstone Acquisition which we anticipate will occur in the first quarter of 2013.

		Number of apartment homes	Total projected capitalized cost(1) ($ millions)	Construction start	Initial projected occupancy(2)	Estimated completion	Estimated stabilization(3)
1.	Avalon Garden City *Garden City, NY*	204	$ 68.7	Q2 2011	Q2 2012	Q1 2013	Q2 2013
2.	Avalon Park Crest *Tysons Corner, VA*	354	77.6	Q4 2010	Q3 2012	Q2 2013	Q4 2013
3.	Avalon Somerset *Somerset, NJ*	384	78.5	Q4 2011	Q3 2012	Q4 2013	Q2 2014
4.	Avalon Irvine II *Irvine, CA*	179	46.2	Q3 2011	Q4 2012	Q2 2013	Q4 2013
5.	AVA H Street *Washington, D.C.*	138	33.7	Q4 2011	Q4 2012	Q2 2013	Q4 2013
6.	Avalon Natick *Natick, MA*	407	82.9	Q4 2011	Q1 2013	Q2 2014	Q4 2014
7.	AVA Ballard *Seattle, WA*	265	68.8	Q3 2011	Q1 2013	Q3 2013	Q1 2014
8.	Avalon Exeter(4) *Boston, MA*	187	114.0	Q2 2011	Q3 2013	Q1 2014	Q3 2014
9.	Avalon Shelton III *Shelton, CT*	250	47.9	Q3 2011	Q1 2013	Q3 2013	Q1 2014
10.	Avalon Hackensack(4) *Hackensack, NJ*	226	47.2	Q3 2011	Q2 2013	Q4 2013	Q2 2014
11.	Avalon West Chelsea/AVA High Line(4) *New York, NY*	715	276.1	Q4 2011	Q4 2013	Q1 2015	Q3 2015
12.	Avalon Mosaic *Tysons Corner, VA*	531	120.9	Q1 2012	Q4 2013	Q3 2014	Q1 2015
13.	Avalon East Norwalk *Norwalk, CT*	240	45.5	Q2 2012	Q2 2013	Q1 2014	Q3 2014
14.	Avalon Dublin Station II *Dublin, CA*	255	73.0	Q2 2012	Q4 2013	Q2 2014	Q4 2014
15.	Avalon/AVA Assembly Row(4) *Somerville, MA*	448	113.5	Q2 2012	Q4 2013	Q3 2014	Q1 2015
16.	AVA University District *Seattle, WA*	283	76.7	Q2 2012	Q1 2014	Q3 2014	Q1 2015
17.	Avalon at Wesmont Station II *Wood-Ridge, NJ*	140	24.8	Q3 2012	Q2 2013	Q4 2013	Q2 2014
18.	Avalon Bloomingdale *Bloomingdale, NJ*	174	31.1	Q3 2012	Q3 2013	Q1 2014	Q3 2014
19.	Avalon Morrison Park *San Jose, CA*	250	79.7	Q3 2012	Q1 2014	Q3 2014	Q1 2015
20.	AVA 55 Ninth *San Francisco, CA*	273	123.3	Q3 2012	Q2 2014	Q4 2014	Q2 2015
21.	Avalon Ossining *Ossining, NY*	168	37.4	Q4 2012	Q2 2014	Q3 2014	Q1 2015
22.	AVA Little Tokyo *Los Angeles, CA*	280	109.8	Q4 2012	Q3 2014	Q2 2015	Q4 2015

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		Number of apartment homes	Total projected capitalized cost(1) ($ millions)	Construction start	Initial projected occupancy(2)	Estimated completion	Estimated stabilization(3)
23.	Avalon Wharton *Wharton, NJ*	248	55.6	Q4 2012	Q1 2015	Q3 2015	Q1 2016
	Total	6,599	$ 1,832.9				

(1) Total projected 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 or land lease costs through construction completion, 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 projected 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.

(4) Development Community subject to a long-term ground lease.

Redevelopment Communities

As of December 31, 2012, we had five consolidated communities under redevelopment. We expect the total capitalized cost to redevelop these communities to be $59,800,000, excluding costs incurred 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, for redevelopment communities we expect that actual costs may vary from our budget by a wider range than for a new development community. We cannot assure you that we will meet our schedule for reconstruction completion or restabilized operations, or that we will meet our budgeted costs, either individually or in the aggregate. We anticipate continuing our current level of redevelopment activity related to communities in our current operating portfolio. You should carefully review Item 1a., "Risk Factors," for a discussion of the risks associated with redevelopment activity.

The following presents a summary of these Redevelopment Communities. The information presented in this table may materially change as a result of the expected Archstone Acquisition which we anticipate will occur in the first quarter of 2013.

		Number of apartment homes	Total projected capitalized cost(1) ($ millions)	Reconstruction Start	Estimated reconstruction completion	Estimated restabilized operations(2)
1.	Eaves San Jose *San Jose, CA*	440	$ 14.9	Q4 2011	Q2 2013	Q3 2013
2.	Eaves Fairfax City *Fairfax, VA*	141	4.9	Q2 2012	Q1 2013	Q2 2013
3.	The Avalon *Bronxville, NY*	110	8.3	Q3 2012	Q3 2013	Q4 2013
4.	Avalon at Media Center(3) *Burbank, CA*	748	19.3	Q4 2012	Q4 2014	Q1 2015
5.	Avalon Campbell *Campbell, CA*	348	12.4	Q4 2012	Q2 2014	Q3 2014
	Total	1,787	$ 59.8			

(1) Total projected capitalized cost includes all capitalized costs projected to be or actually incurred to redevelop the respective Redevelopment Community, including land acquisition costs, construction

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costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated redevelopment overhead and other regulatory fees, all as determined in accordance with GAAP.

(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 scope of work completed during 2012 did not impact occupancy or rental income; therefore, this community is included in the Established Community portfolio.

Development Rights

At December 31, 2012, we had $316,037,000 in acquisition and related capitalized costs for land parcels we own, and $24,665,000 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 34 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 December 31, 2012 includes $244,015,000 in original land acquisition costs. The original land acquisition cost per home ranged from $9,000 per home in Connecticut to $149,000 per home in New York City. 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 9,602 apartment homes to our portfolio. Substantially all of these apartment homes will offer features like those offered by the communities we currently own of the same brand group.

For 21 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 13 remaining 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 regarding the initial selection of a Development Right, and whether or not to continue to invest in a Development Right, 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 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. Initial 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 no longer probable, any capitalized pre-development costs are charged to expense. During 2012, we incurred a charge of approximately $1,757,000 for development pursuits that were not yet probable of future development at the time incurred, or for pursuits that we determined would not likely be developed.

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

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The information presented in this table may materially change as a result of the expected Archstone Acquisition which we anticipate will occur in the first quarter of 2013.

Location	Number of rights	Estimated number of homes	Total projected capitalized cost ($ millions)(1)
Boston, MA	6	1,766	$ 604
Fairfield-New Haven, CT	2	290	66
New York, NY(2)	2	1,237	515
New Jersey	10	2,593	566
Long Island, NY	2	483	151
Washington, DC Metro	4	1,200	287
Seattle, WA	3	749	182
Oakland-East Bay, CA	1	250	85
San Francisco, CA	1	182	85
Los Angeles, CA	2	631	225
San Diego, CA	1	221	55
Total	34	9,602	$ 2,821

(1) Total projected 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 and related acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees.

(2) Includes development rights in Westchester County and Rockland County, NY.

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Land Acquisitions

We select land for development and follow established procedures that we believe minimize both the cost and the risks of development. During 2012, we acquired land parcels for nine Development Rights including the final land parcels related to our purchase commitment for Avalon Willoughby Square, as shown in the table below, for an aggregate purchase price of approximately $100,564,000. For eight of the nine parcels construction has either started or will start within the next 12 months. The information presented in this table may materially change as a result of the expected Archstone Acquisition which we anticipate will occur in the first quarter of 2013.

		Estimated number of apartment homes	Total projected capitalized cost(1) ($ millions)	Date acquired
1.	Avalon Willoughby Square *Brooklyn, NY*	823	$ 421.4	April/September 2012(2)
2.	AVA 55 Ninth *San Francisco, CA*	273	123.3	June 2012
3.	Avalon at Wesmont Station Phase II *Wood-Ridge, NJ*	140	24.8	July 2012
4.	AVA Stuart Street *Boston, MA*	400	175.9	July 2012
5.	Avalon Vista *Vista, CA*	221	54.9	August 2012
6.	Avalon Canton *Canton, MA*	196	40.1	November 2012
7.	Avalon Alderwood I *Lynwood, WA*	367	68.3	December 2012
8.	Avalon Alderwood II *Lynwood, WA*	124	24.2	December 2012
9.	Avalon Ossining *Ossining, NY*	168	37.4	December 2012
	Total	2,712	$ 970.3	

(1) Total projected 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 and related acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees.

(2) Represents the final parcels purchased under our long term purchase commitment.

Other Land and Real Estate Assets

We own land parcels with a carrying value of approximately $23,964,000 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. The current carrying value of these land parcels reflects impairment charges of $9,057,000 incurred in prior periods. 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

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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.

Recent Disposition Activity

We (i) sell assets when they do not meet our long-term investment strategy or when capital and real estate markets allow us to realize a portion of the value created over the past business cycle and (ii) redeploy the proceeds from those sales to develop, redevelop and acquire communities. Pending such redeployment, we will generally use the proceeds from the sale of these communities to reduce amounts outstanding under our Credit Facility or retain the cash proceeds on our balance sheet until it is redeployed into development or redevelopment activity. On occasion, we will set aside the proceeds from the sale of communities into a cash escrow account to facilitate a tax deferred, like-kind exchange transaction. From January 1, 2012 to January 31, 2013, we sold our interest in four wholly-owned communities containing 1,578 apartment homes. The aggregate gross sales price for these assets was $268,250,000.

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 and deductibles 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 this 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, $75,000,000 of coverage. Earthquake coverage outside of California and Washington is subject to a $100,000,000 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 $1,400,000.

In May 2012, we renewed our property insurance policy, with no material change in coverage. In August 2012, we renewed our general liability and workers compensation insurance policies with no material change in coverage.

In October 2012, Superstorm Sandy impacted several apartment communities in the Company's Mid-Atlantic and Northeast portfolios. The Company recognized a casualty loss of $1,449,000 for losses incurred related to Superstorm Sandy. As of the date of this filing, the Company does not expect to recognize significant additional costs related to the damage from Superstorm Sandy.

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 this legislation, 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

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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.

An additional consideration for insurance coverage and potential uninsured losses is mold growth. Mold growth may occur when excessive moisture accumulates in buildings or on building materials, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. If a significant mold problem arises at one of our communities, we could be required to undertake a costly remediation program to contain or remove the mold from the affected community and could be exposed to other liabilities. For further discussion of the risks and the Company's related prevention and remediation activities, please refer to the discussion under Item 1a., "Risk Factors We may incur costs due to environmental contamination or non-compliance," elsewhere in this report. We cannot provide assurance that we will have coverage under our existing policies for property damage or liability to third parties arising as a result of exposure to mold or a claim of exposure to mold at one of our communities.

We also carry crime policies (also commonly referred to as a fidelity policy or employee dishonesty policy) that protect the Company, up to $5,000,000 per occurrence, from employee theft of money, securities or property.

ITEM 3. 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 currently believe that any of these outstanding litigation matters, individually or in the aggregate, will have a material adverse effect on its financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NYSE under the ticker symbol AVB. The following table sets forth the quarterly high and low sales prices per share of our common stock for the years 2012 and 2011, as reported by the NYSE. On January 31, 2013 there were 738 holders of record of an aggregate of 114,405,582 shares of our outstanding common stock. The number of holders does not include individuals or entities who beneficially own shares but whose shares are held of record by a broker or clearing agency, but does include each such broker or clearing agency as one record holder.

	2012			2011		
	Sales Price		Dividends declared	Sales Price		Dividends declared
	High	Low		High	Low	
Quarter ended March 31	$ 141.69	$ 123.71	$ 0.9700	$ 121.65	$ 108.21	$ 0.8925
Quarter ended June 30	$ 148.54	$ 134.51	$ 0.9700	$ 133.81	$ 117.59	$ 0.8925
Quarter ended September 30	$ 151.11	$ 134.03	$ 0.9700	$ 139.89	$ 113.27	$ 0.8925
Quarter ended December 31	$ 139.70	$ 126.12	$ 0.9700	$ 136.37	$ 107.58	$ 0.8925

At present, we expect to continue our policy of paying regular quarterly cash dividends. However, the form, timing and/or amount of dividend distributions will be declared at the discretion of the Board of Directors and will depend on actual cash from operations, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and other factors as the Board of Directors may consider relevant. The Board of Directors may modify our dividend policy from time to time.

In January 2013, we announced that our Board of Directors declared a dividend on our common stock for the first quarter of 2013 of $1.07 per share, a 10.3% increase over the previous quarterly dividend per share of $0.97. The dividend will be payable on April 15, 2013 to all common stockholders of record as of March 28, 2013.

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)
October 1 - October 31, 2012	399	$ 130.35		$ 200,000
November 1 - November 30, 2012				$ 200,000
December 1 - December 31, 2012				$ 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.

Information regarding securities authorized for issuance under equity compensation plans is included in the section entitled "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" in this Form 10-K.

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ITEM 6. SELECTED FINANCIAL DATA

The following table provides historical consolidated financial, operating and other data for the Company. You should read the table with our Consolidated Financial Statements and the Notes included in this report (dollars in thousands, except per share information).

	For the year ended				
	12-31-12	**12-31-11**	**12-31-10**	**12-31-09**	**12-31-08**
Revenue:					
Rental and other income	$ 1,028,403	$ 926,431	$ 835,466	$ 790,620	$ 756,565
Management, development and other fees	10,257	9,656	7,354	7,328	6,568
Total revenue	1,038,660	936,087	842,820	797,948	763,133
Expenses:					
Operating expenses, excluding property taxes	278,481	257,718	246,257	237,841	226,417
Property taxes	101,136	92,568	87,864	78,383	69,075
Interest expense, net	136,920	167,814	169,997	145,090	110,250
(Gain) loss on extinguishment of debt, net	1,179	1,940		25,910	(1,839)
Depreciation expense	256,026	239,060	220,563	197,084	172,203
General and administrative expense	34,101	29,371	26,846	28,748	42,781
Casualty and impairment loss	1,449	14,052		21,152	57,899
Total expenses	809,292	802,523	751,527	734,208	676,786
Equity in income of unconsolidated entities	20,914	5,120	762	1,441	4,566
Gain on sale of land	280	13,716		4,830	
Gain on acquisition of unconsolidated entity	14,194				
Income from continuing operations	264,756	152,400	92,055	70,011	90,913
Discontinued operations:					
Income from discontinued operations	12,495	7,880	7,950	20,376	34,932
Gain on sale of communities	146,311	281,090	74,074	63,887	284,901
Total discontinued operations	158,806	288,970	82,024	84,263	319,833
Net income	423,562	441,370	174,079	154,274	410,746
Net loss attributable to noncontrolling interests	307	252	1,252	1,373	741
Net income attributable to the Company	423,869	441,622	175,331	155,647	411,487
Dividends attributable to preferred stock					(10,454)
Net income attributable to common stockholders	$ 423,869	$ 441,622	$ 175,331	$ 155,647	$ 401,033
Per Common Share and Share Information:					
Earnings per common share basic:					
Income from continuing operations attributable to common stockholders (net of dividends attributable to preferred stock)	$ 2.71	$ 1.69	$ 1.10	$ 0.89	$ 1.05
Discontinued operations attributable to common stockholders	1.63	3.20	0.98	1.05	4.16
Net income attributable to common stockholders	$ 4.34	$ 4.89	$ 2.08	$ 1.94	$ 5.21
Weighted average shares outstanding basic(1)	97,416,401	89,922,465	83,859,936	79,951,348	76,783,515
Earnings per common share diluted:					
Income from continuing operations attributable to common stockholders (net of dividends attributable to preferred stock)	$ 2.70	$ 1.69	$ 1.10	$ 0.89	$ 1.05
Discontinued operations attributable to common stockholders	1.62	3.18	0.97	1.04	4.12

Net income attributable to common stockholders	$ 4.32	$ 4.87	$ 2.07	$ 1.93	$ 5.17
Weighted average shares outstanding diluted(2)	98,025,152	90,777,462	84,632,869	80,599,657	77,578,852
Cash dividends declared(3)	$ 3.88	$ 3.57	$ 3.57	$ 3.57	$ 3.57

(1) Amounts do not include unvested restricted shares included in the calculation of Earnings per Share. Please refer to Note 1, "Organization and Basis of Presentation Earnings per Common Share" of the Consolidated Financial Statements set forth in Item 8 of this report for a discussion of the calculation of Earnings per Share.

(2) Weighted average common shares outstanding diluted for 2008 includes the impact of approximately 2.6 million common shares issued under the special dividend declared on December 17, 2008.

(3) Does not include the special dividend of $1.8075 per share, which was declared on December 17, 2008, and paid in the form of shares of the Company's common stock.

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The information presented in this table may materially change as a result of the expected Archstone Acquisition which we anticipate will occur in the first quarter of 2013.

	For the year ended				
	12-31-12	12-31-11	12-31-10	12-31-09	12-31-08
Other Information:					
Net income attributable to the Company	$ 423,869	$ 441,622	$ 175,331	$ 155,647	$ 411,487
Depreciation continuing operations	256,026	239,060	220,563	197,084	172,203
Depreciation discontinued operations	4,068	11,209	12,379	21,202	27,249
Interest expense, net continuing operations(1)	138,099	169,754	169,997	171,000	108,411
Interest expense, net discontinued operations(1)	735	8,688	5,212	5,914	7,957
EBITDA(2)	$ 822,797	$ 870,333	$ 583,482	$ 550,847	$ 727,307
Funds from Operations(3)	$ 521,047	$ 414,482	$ 338,353	$ 315,841	$ 315,947