POST PROPERTIES INC
Form 10-Q
August 08, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2011

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file numbers 1-12080 and 0-28226

POST PROPERTIES, INC.

POST APARTMENT HOMES, L.P.

(Exact name of registrant as specified in its charter)

Georgia	58-1550675
Georgia	58-2053632
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4401 Northside Parkway, Suite 800, Atlanta, Georgia 30327

(Address of principal executive offices -- zip code)

(404) 846-5000

(Registrant s telephone number, including area code)

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

Post Properties, Inc.	Yes	[X]	No	[ ]
Post Apartment Homes, L.P.	Yes	[X]	No	[ ]

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, 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 as the registrant was required to submit and post such files).

Post Properties, Inc.	Yes	[X]	No	[ ]
Post Apartment Homes, L.P.	Yes	[ ]	No	[ ]

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers or smaller reporting company. See definition of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Post Properties, Inc.	Large Accelerated Filer	[X]	Accelerated Filer [ ]		
	Non-Accelerated Filer	[ ]	(Do not check if a smaller reporting company)	Smaller Reporting Company	[ ]
Post Apartment Homes, L.P.	Large Accelerated Filer	[ ]	Accelerated Filer [ ]		
	Non-Accelerated Filer	[X]	(Do not check if a smaller reporting company)	Smaller Reporting Company	[ ]

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

Post Properties, Inc.	Yes	[ ]	No	[X]
Post Apartment Homes, L.P.	Yes	[ ]	No	[X]

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

50,472,535 shares of common stock outstanding as of July 29, 2011.

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POST APARTMENT HOMES, L.P.

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POST PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

		June 30, 2011 (Unaudited)		December 31, 2010
Assets				
Real estate assets				
Land	$	292,396	$	285,005
Building and improvements		2,036,206		2,028,580
Furniture, fixtures and equipment		245,283		240,614
Construction in progress		58,096		25,734
Land held for future investment		55,420		72,697
		2,687,401		2,652,630
Less: accumulated depreciation		(729,759)		(692,514)
For-sale condominiums		68,098		82,259
Total real estate assets		2,025,740		2,042,375
Investments in and advances to unconsolidated real estate entities		7,350		7,671
Cash and cash equivalents		28,955		22,089
Restricted cash		5,328		5,134
Deferred charges, net		10,032		8,064
Other assets		29,351		29,446
Total assets	$	2,106,756	$	2,114,779
Liabilities and equity				
Indebtedness	$	1,031,878	$	1,033,249
Accounts payable and accrued expenses		65,476		66,977
Investments in unconsolidated real estate entities		15,662		15,384
Dividends and distributions payable		10,124		9,814
Accrued interest payable		5,791		5,841
Security deposits and prepaid rents		9,970		10,027
Total liabilities		1,138,901		1,141,292
Redeemable common units		6,627		6,192
Commitments and contingencies				
Equity				
Company shareholders equity				
Preferred stock, $.01 par value, 20,000 authorized:				
8 1/2% Series A Cumulative Redeemable Shares, liquidation preference $50 per share, 868 shares issued and outstanding		9		9
7 5/8% Series B Cumulative Redeemable Shares, liquidation preference $25 per share, 0 and 1,983 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively		-		20
Common stock, $.01 par value, 100,000 authorized: 50,457 and 48,926 shares issued and 50,457 and 48,913 shares outstanding at June 30, 2011 and December 31, 2010, respectively		504		489
Additional paid-in-capital		963,922		965,691
Accumulated earnings		-		4,577

		964,435		970,786
Less common stock in treasury, at cost, 98 and 108 shares at June 30, 2011 and December 31, 2010, respectively		(3,326)		(3,696)
Total Company shareholders equity		961,109		967,090
Noncontrolling interests - consolidated real estate entities		119		205
Total equity		961,228		967,295
Total liabilities and equity	$	2,106,756	$	2,114,779

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

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POST PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Revenues				
Rental	$ 70,499	$ 66,379	$ 139,592	$ 131,513
Other property revenues	4,698	4,181	8,920	7,907
Other	227	271	443	554
Total revenues	75,424	70,831	148,955	139,974
Expenses				
Total property operating and maintenance (exclusive of items shown separately below)	33,206	32,915	65,823	66,406
Depreciation	18,808	18,643	37,560	37,114
General and administrative	4,246	3,967	8,362	8,643
Investment and development	296	678	774	1,280
Other investment costs	455	490	949	1,159
Impairment losses	-	35,091	-	35,091
Total expenses	57,011	91,784	113,468	149,693
Operating income (loss)	18,413	(20,953)	35,487	(9,719)
Interest income	516	196	608	365
Interest expense	(14,437)	(12,561)	(28,912)	(25,174)
Amortization of deferred financing costs	(721)	(653)	(1,368)	(1,486)
Net gains on condominium sales activities	5,432	187	6,176	1,135
Equity in income of unconsolidated real estate entities, net	346	173	555	296
Other income (expense), net	285	(142)	301	(297)
Net income (loss)	9,834	(33,753)	12,847	(34,880)
Noncontrolling interests - consolidated real estate entities	(58)	-	(47)	(61)
Noncontrolling interests - Operating Partnership	(30)	125	(29)	136
Net income (loss) available to the Company	9,746	(33,628)	12,771	(34,805)
Dividends to preferred shareholders	(922)	(1,878)	(2,611)	(3,768)
Preferred stock redemption costs	-	(37)	(1,757)	(45)
Net income (loss) available to common shareholders	$ 8,824	$ (35,543)	$ 8,403	$ (38,618)
Per common share data - Basic				
Net income (loss) available to common shareholders	$ 0.18	$ (0.73)	$ 0.17	$ (0.79)
Weighted average common shares outstanding - basic	49,875	48,432	49,460	48,401
Per common share data - Diluted				
Net income (loss) available to common shareholders	$ 0.17	$ (0.73)	$ 0.17	$ (0.79)

Weighted average common shares outstanding - diluted	50,266	48,432	49,854	48,401

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

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POST PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF EQUITY AND ACCUMULATED EARNINGS

(In thousands, except per share data)

(Unaudited)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Earnings	Treasury Stock	Total Company Equity	Noncontrolling Interests - Consolidated Real Estate Entities	Total Equity
2011								
Equity & Accum. Earnings, December 31, 2010	$ 29	$ 489	$ 965,691	$ 4,577	$ (3,696)	$ 967,090	$ 205	$ 967,295
Comprehensive income (loss)								
Net income (loss)	-	-	-	12,771	-	12,771	47	12,818
Sales of common stock, net	-	10	38,223	-	-	38,233	-	38,233
Employee stock purchase, stock option and other plan issuances	-	5	14,113	-	370	14,488	-	14,488
Conversion of redeemable common units for shares	-	-	321	-	-	321	-	321
Adjustment for ownership interest of redeemable common units	-	-	(225)	-	-	(225)	-	(225)
Redemption of preferred stock	(20)	-	(49,613)	-	-	(49,633)	-	(49,633)
Stock-based compensation	-	-	1,273	-	-	1,273	-	1,273
Dividends to preferred shareholders	-	-	-	(2,611)	-	(2,611)	-	(2,611)
Dividends to common shareholders ($0.40 per share)	-	-	(5,297)	(14,737)	-	(20,034)	-	(20,034)
Distributions to noncontrolling interests - consolidated real estate entities	-	-	-	-	-	-	(133)	(133)
Adjustment to redemption value of redeemable common units	-	-	(564)	-	-	(564)	-	(564)
Equity & Accum. Earnings, June 30, 2011	$ 9	$ 504	$ 963,922	$ -	$ (3,326)	$ 961,109	$ 119	$ 961,228
2010								
Equity & Accum. Earnings, December 31, 2009	$ 29	$ 484	$ 960,593	$ 57,253	$ (3,240)	$ 1,015,119	$ 934	$ 1,016,053
Comprehensive income (loss)								
Net income (loss)	-	-	-	(34,805)	-	(34,805)	61	(34,744)
Sales of common stock, net	-	-	1,121	-	-	1,121	-	1,121
Employee stock purchase, stock option and other plan issuances	-	2	1,585	-	54	1,641	-	1,641
Conversion of redeemable common units for shares	-	-	63	-	11	74	-	74
Adjustment for ownership interest of redeemable common units	-	-	8	-	-	8	-	8
Redemption of preferred stock	-	-	(1,949)	-	-	(1,949)	-	(1,949)
Stock-based compensation	-	-	1,387	-	-	1,387	-	1,387
Dividends to preferred shareholders	-	-	-	(3,768)	-	(3,768)	-	(3,768)
Dividends to common shareholders ($0.40 per share)	-	-	(778)	(18,680)	-	(19,458)	-	(19,458)
Distributions to noncontrolling interests - consolidated real estate entities	-	-	-	-	-	-	(240)	(240)
Adjustment to redemption value of redeemable common units	-	-	(757)	-	-	(757)	-	(757)
Equity & Accum. Earnings, June 30, 2010	$ 29	$ 486	$ 961,273	$ -	$ (3,175)	$ 958,613	$ 755	$ 959,368

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

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POST PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, except per share data)

(Unaudited)

	Six months ended June 30, 2011	2010
Cash Flows From Operating Activities		
Net income (loss)	$ 12,847	$ (34,880)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	37,560	37,114
Amortization of deferred financing costs	1,368	1,486
Gains on sales of real estate assets, net	(6,176)	(1,135)
Other, net	665	-
Asset impairment charges	-	35,091
Equity in income of unconsolidated entities, net	(555)	(296)
Distributions of earnings of unconsolidated entities	1,080	873
Deferred compensation	48	86
Stock-based compensation	1,278	1,392
Changes in assets, decrease (increase) in:		
Other assets	(309)	28
Deferred charges	(141)	(160)
Changes in liabilities, increase (decrease) in:		
Accrued interest payable	(50)	(197)
Accounts payable and accrued expenses	1,065	1,829
Security deposits and prepaid rents	(251)	(912)
Net cash provided by operating activities	48,429	40,319
Cash Flows From Investing Activities		
Construction and acquisition of real estate assets, net of payables	(36,965)	(29,915)
Net proceeds from sales of real estate assets	32,765	17,748
Capitalized interest	(1,006)	(4,894)
Property capital expenditures	(10,812)	(17,952)
Corporate additions and improvements	(486)	(224)
Investments in and advances to unconsolidated entities	-	(781)
Note receivable collections and other investments	434	146
Net cash used in investing activities	(16,070)	(35,872)
Cash Flows From Financing Activities		
Lines of credit proceeds	24,523	78,014
Lines of credit repayments	(24,523)	(63,014)
Payments on indebtedness	(1,371)	(420)
Payments of financing costs and other	(3,972)	(880)
Proceeds from sales of common stock	38,233	1,121
Proceeds from employee stock purchase and stock options plans	13,785	855
Redemption of preferred stock	(49,633)	(1,949)
Distributions to noncontrolling interests - real estate entities	(133)	(240)
Distributions to noncontrolling interests - common unitholders	(68)	(70)
Dividends paid to preferred shareholders	(2,611)	(3,768)
Dividends paid to common shareholders	(19,723)	(19,410)
Net cash used in financing activities	(25,493)	(9,761)

Net increase (decrease) in cash and cash equivalents	6,866	(5,314)
Cash and cash equivalents, beginning of period	22,089	13,347
Cash and cash equivalents, end of period	$ 28,955	$ 8,033

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

POST PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, in thousands, except per share or unit and apartment unit data)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
Organization

Post Properties, Inc. and its subsidiaries develop, own and manage upscale multi-family apartment communities in selected markets in the United States. As used herein, the term Company includes Post Properties, Inc. and its subsidiaries, including Post Apartment Homes, L.P. (the Operating Partnership), unless the context indicates otherwise. The Company, through its wholly-owned subsidiaries is the general partner and owns a majority interest in the Operating Partnership which, through its subsidiaries, conducts substantially all of the on-going operations of the Company. At June 30, 2011, the Company had interests in 21,431 apartment units in 57 communities, including 1,747 apartment units in five communities held in unconsolidated entities and 1,568 apartment units in five communities currently under development. The Company is also selling luxury for-sale condominium homes in two communities through a taxable REIT subsidiary. At June 30, 2011, approximately 34.7%, 22.7%, 12.9% and 10.6% (on a unit basis) of the Company s operating communities were located in the Atlanta, Georgia, Dallas, Texas, the greater Washington, D.C. and Tampa, Florida metropolitan areas, respectively.

The Company has elected to qualify and operate as a self-administrated and self-managed real estate investment trust (REIT) for federal income tax purposes. A REIT is a legal entity which holds real estate interests and is generally not subject to federal income tax on the income it distributes to its shareholders.

At June 30, 2011, the Company had outstanding 50,457 shares of common stock and owned the same number of units of common limited partnership interests (Common Units) in the Operating Partnership, representing a 99.7% common ownership interest in the Operating Partnership. Common Units held by persons other than the Company totaled 163 at June 30, 2011 and represented a 0.3% common noncontrolling interest in the Operating Partnership. Each Common Unit may be redeemed by the holder thereof for either one share of Company common stock or cash equal to the fair market value thereof at the time of redemption, at the option, but outside the control, of the Operating Partnership. The Company s weighted average common ownership interest in the Operating Partnership was 99.7% for the three and six months June 30, 2011 and 2010.

Basis of presentation

The accompanying unaudited financial statements have been prepared by the Company s management in accordance with generally accepted accounting principles for interim financial information and applicable rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normally recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the three and six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the full year. These financial statements should be read in conjunction with the Company s audited financial statements and notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2010 (the Form 10-K).

The accompanying consolidated financial statements include the consolidated accounts of the Company, the Operating Partnership and their wholly owned subsidiaries. The Company also consolidates other entities in which it has a controlling financial interest or entities where it is determined to be the primary beneficiary under ASC Topic 810, Consolidation. Under ASC Topic 810, variable interest entities (VIEs) are generally entities that lack sufficient equity to finance their activities without additional financial support from other parties or whose equity holders lack adequate decision making ability. The primary beneficiary is required to consolidate a VIE for financial reporting purposes. The application of ASC Topic 810 requires management to make significant estimates and judgments about the Company s and its other partners rights, obligations and economic interests in such entities. For entities in which the Company has less than a controlling financial interest or entities where it is not deemed to be the primary beneficiary, the entities are accounted for using the equity method of accounting. Accordingly, the Company s share of the net earnings or losses of these entities is included in consolidated net income. All significant inter-company accounts and transactions have been eliminated in consolidation. The noncontrolling interest of common unitholders (also referred to as Redeemable Common Units) in the operations of the Operating Partnership is calculated based on the weighted average unit ownership during the period.

Revenue recognition

Residential properties are leased under operating leases with terms of generally one year or less. Rental revenues from residential leases are recognized on the straight-line method over the approximate life of the leases, which is generally one year. The recognition

POST PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, in thousands, except per share or unit and apartment unit data)

of rental revenues from residential leases when earned has historically not been materially different from rental revenues recognized on a straight-line basis.

Under the terms of residential leases, the residents of the Company s residential communities are obligated to reimburse the Company for certain utility usage, water and electricity (at selected properties), where the Company is the primary obligor to the public utility entity. These utility reimbursements from residents are reflected as other property revenues in the consolidated statements of operations.

Sales and the associated gains or losses of real estate assets and for-sale condominiums are recognized in accordance with the provisions of ASC Topic 360-20, Property, Plant and Equipment Real Estate Sales. For newly developed condominiums, the Company accounts for each project under either the Deposit Method or the Percentage of Completion Method, based on a specific evaluation of the factors specified in ASC Topic 360-20. The factors used to determine the appropriate accounting method are the legal commitment of the purchaser in the real estate contract, whether the construction of the project is beyond a preliminary phase, whether sufficient units have been contracted to ensure the project will not revert to a rental project, the ability to reasonably estimate the aggregate project sale proceeds and aggregate project costs and the determination that the buyer has made an adequate initial and continuing cash investment under the contract in accordance with ASC Topic 360-20. As of June 30, 2011, all newly developed condominium communities are accounted for under the Deposit Method. Under ASC Topic 360-20, the Company uses the relative sales value method to allocate costs and recognize profits from condominium sales. Under the relative sales value method, estimates of aggregate project revenues and aggregate project costs are used to determine the allocation of project cost of sales and the resulting profit in each accounting period. In subsequent periods, cumulative project cost of sale allocations and the resulting profits are adjusted to reflect changes in the actual and estimated costs and revenues of each project.

Real estate assets, depreciation and impairment

Real estate assets are stated at the lower of depreciated cost or fair value, if deemed impaired. Major replacements and betterments are capitalized and depreciated over their estimated useful lives. Depreciation is computed on a straight-line basis over the useful lives of the properties (buildings and components and related land improvements 20-40 years; furniture, fixtures and equipment 5-10 years).

The Company continually evaluates the recoverability of the carrying value of its real estate assets using the methodology prescribed in ASC Topic 360, Property, Plant and Equipment. Factors considered by management in evaluating impairment of its existing real estate assets held for investment include significant declines in property operating profits, annually recurring property operating losses and other significant adverse changes in general market conditions that are considered permanent in nature. Under ASC Topic 360, a real estate asset held for investment is not considered impaired if the undiscounted, estimated future cash flows of an asset (both the annual estimated cash flow from future operations and the estimated cash flow from the theoretical sale of the asset) over its estimated holding period are in excess of the asset s net book value at the balance sheet date. If any real estate asset held for investment is considered impaired, a loss is provided to reduce the carrying value of the asset to its estimated fair value. In addition, for-sale condominium units completed and ready for their intended use are evaluated for impairment using the methodology for assets held for sale (using discounted projected future cash flows).

The Company periodically classifies real estate assets as held for sale. An asset is classified as held for sale after the approval of the Company s board of directors and after an active program to sell the asset has commenced. Upon the classification of a real estate asset as held for sale, the carrying value of the asset is reduced to the lower of its net book value or its estimated fair value, less costs to sell the asset. Subsequent to the classification of assets as held for sale, no further depreciation expense is recorded. Real estate assets held for sale are stated separately on the accompanying consolidated balance sheets. Upon a decision to no longer market an asset for sale, the asset is classified as an operating asset and depreciation expense is reinstated. As of June 30, 2011, except for for-sale condominium units, there were no real estate assets for sale.

For newly developed condominium communities, the operating results and associated gains and losses are reflected in continuing operations (see discussion under revenue recognition above), and the net book value of the condominium assets is reflected separately on the consolidated balance sheet in the caption titled, For-sale condominiums.

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(Unaudited, in thousands, except per share or unit and apartment unit data)

Supplemental cash flow information

Supplemental cash flow information for the six months ended June 30, 2011 and 2010 is as follows:

	Six months ended June 30, 2011	Six months ended June 30, 2010
Interest paid, including interest capitalized	$ 29,968	$ 30,265
Income tax payments, net	705	155
Non-cash investing and financing activities:		
Dividends and distributions declared	10,124	9,711
Conversions of common units	321	74
Common stock 401k matching contribution	655	700
Construction cost accruals, decrease	3,332	4,723
Adjustments to redeemable common units, net	(789)	(749)

2. REAL ESTATE ACTIVITY

Acquisitions / Dispositions

In June 2011, the Company acquired the land under its Post Renaissance® apartment community for approximately $6,670 and the former ground leases associated with the land were terminated. The Company did not acquire any apartment communities in the three or six months ended June 30, 2011 or 2010. At June 30, 2011, the Company did not have any apartment communities or land parcels classified as held for sale. In addition, there were no sales of apartment communities or land parcels in the three or six months ended June 30, 2011 or 2010.

Condominium activities

As of June 30, 2011, the Company is selling condominium homes in two wholly owned condominium communities. The Company s condominium community in Austin, Texas (the Austin Condominium Project), originally consisting of 148 condominium units, had an aggregate carrying value of $44,344 at June 30, 2011. The Austin Condominium Project commenced closings of condominium units in the second quarter of 2010. The Company s condominium community in Atlanta, Georgia (the Atlanta Condominium Project), originally consisting of 129 condominium units, had an aggregate carrying value of $23,754 at June 30, 2011. The Atlanta Condominium Project commenced closings of condominium units in the fourth quarter of 2010. These amounts were included in the accompanying balance sheet under the caption, For-sale condominiums. Additionally, in the first half of 2010, the Company completed its final sales of condominium units at two condominium conversion communities.

The revenues, costs and expenses associated with the Company s condominium activities for the three and six months ended June 30, 2011 and 2010 are as follows:

	Three months ended June 30,	Six months ended June 30,

	2011	2010	2011	2010
Condominium revenues	$ 19,090	$ 15,908	$ 32,765	$ 17,748
Condominium costs and expenses	(13,658)	(15,721)	(26,589)	(16,613)
Net gains on sales of condominiums	$ 5,432	$ 187	$ 6,176	$ 1,135

The Company closed 18 and 10 condominium homes for the three months and 30 and 17 condominium homes for the six months ended June 30, 2011 and 2010, respectively, at its condominium communities.

In the second quarter of 2010, the Company recorded an impairment charge of $34,691 to write down the Austin Condominium Project to its estimated fair value at that time. The impairment charge was recorded at the time the Austin Condominium Project began delivering and closing units and, consequently, was classified as held for sale for financial reporting purposes. The estimated fair value of the project was derived from the discounted present value of the project s estimated future cash flows over an extended sell-out period, considering current market conditions in the Austin market at that time.

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POST PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, in thousands, except per share or unit and apartment unit data)

3. INVESTMENTS IN UNCONSOLIDATED REAL ESTATE ENTITIES
Apartment LLCs

At June 30, 2011, the Company held investments in various individual limited liability companies (the Apartment LLCs) with institutional investors that own five apartment communities, including four communities located in Atlanta, Georgia and one community located in Washington, D.C. The Company has a 25% to 35% equity interest in these Apartment LLCs.

The Company accounts for its investments in the Apartment LLCs using the equity method of accounting. At June 30, 2011 and December 31, 2010, the Company s investment in the 35% owned Apartment LLCs totaled $7,350 and $7,671, respectively, excluding the credit investments discussed below. The excess of the Company s investment over its equity in the underlying net assets of these Apartment LLCs was approximately $4,689 at June 30, 2011. The excess investment related to these Apartment LLCs is being amortized as a reduction to earnings on a straight-line basis over the lives of the related assets. The Company s investment in the 25% owned Apartment LLCs at June 30, 2011 and December 31, 2010 reflects a credit investment of $15,662 and $15,384, respectively. These credit balances resulted from distribution of financing proceeds in excess of the Company s historical cost upon the formation of the Apartment LLCs and are reflected in consolidated liabilities on the Company s consolidated balance sheet. The operating results of the Company include its allocable share of net income from the investments in the Apartment LLCs. The Company provides property and asset management services to the Apartment LLCs for which it earns fees.

A summary of financial information for the Apartment LLCs in the aggregate is as follows:

Apartment LLCs - Balance Sheet Data	June 30, 2011	December 31, 2010
Real estate assets, net of accumulated depreciation of $37,855 and $35,520 at March 31, 2011 and December 31, 2010, respectively	$ 249,026	$ 250,651
Cash and other	6,277	6,518
Total assets	$ 255,303	$ 257,169
Mortgage notes payable	$ 206,495	$ 206,495
Other liabilities	3,337	2,460
Total liabilities	209,832	208,955
Members equity	45,471	48,214
Total liabilities and members equity	$ 255,303	$ 257,169
Company s equity investment in Apartment LLCs (1)	$ (8,312)	$ (7,713)

(1) At June 30, 2011 and December 31, 2010, the Company s equity investment includes its credit investments of $15,662 and $15,384, respectively, discussed above.

Apartment LLCs - Income Statement Data	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Revenues				
Rental	$ 6,843	$ 6,511	$ 13,573	$ 12,994
Other property revenues	552	513	1,034	971
Total revenues	7,395	7,024	14,607	13,965
Expenses				
Property operating and maintenance	2,770	2,920	5,648	5,808
Depreciation and amortization	1,722	1,681	3,428	3,357
Interest	2,986	2,986	5,939	5,939
Total expenses	7,478	7,587	15,015	15,104
Net loss	$ (83)	$ (563)	$ (408)	$ (1,139)
Company s share of net income	$ 346	$ 173	$ 555	$ 296

At June 30, 2011, mortgage notes payable included five mortgage notes. The first $50,500 mortgage note bears interest at 5.82%, requires monthly interest only payments and matures in 2013. The note is prepayable without penalty beginning in September 2011.

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The second mortgage note payable totals $29,272, bears interest at 5.83%, requires monthly interest only payments and matures in 2013. The note is prepayable without penalty beginning in September 2011. The third and fourth mortgage notes total $85,723, bear interest at 5.63%, require interest only payments and mature in 2017. The fifth mortgage note totals $41,000, bears interest at 5.71%, requires interest only payments, and matures in January 2018 with a one-year automatic extension at a variable interest rate.

Condominium LLC

In periods prior to September 2010, the Company and its partner held an approximate pro-rata 49% interest in a limited partnership (the Mixed-Use LP) that was constructing a mixed-use development, consisting of the Atlanta Condominium Project and Class A office space, sponsored by two additional independent investors. Prior to September 2010, the Company accounted for its investment in the Mixed-Use LLC using the equity method of accounting.

In September 2010, the Atlanta Condominium Project and associated liabilities (including construction indebtedness) were conveyed to the Company and its partner in full redemption of their interest in the Mixed-Use LP. In addition, a separate subsidiary of the Company acquired the construction indebtedness of the Atlanta Condominium Project and a related land limited liability company, effectively extinguishing the indebtedness. The net condominium assets and associated construction indebtedness were recorded by the Company at their fair values. Subsequent to the transaction, the Atlanta Condominium Project and its results of operations were consolidated (see note 2).

For the three and six months ended June 30, 2010, the Company s equity in earnings on the statement of operations did not reflect any equity method income or losses from its investment in the Mixed-Use LP, as the Company had previously suspended equity method accounting in 2009 due to the recognition of prior losses in excess of its investment and commitments to the entity.

4. INDEBTEDNESS

At June 30, 2011 and December 31, 2010, the Company s indebtedness consists of the following:

Description	Payment Terms	Interest Rate		Maturity Date		June 30, 2011	December 31, 2010
Senior Unsecured Notes	Int.	4.75% - 6.30%	(1)	2011-2017	(1)	$ 385,412	$ 385,412
Unsecured Lines of Credit	N/A	LIBOR + 2.30%	(2)	2014	(2)	-	-
Secured Mortgage Notes	Prin. and Int.	4.88% - 6.09%		2013-2019	(3)	646,466	647,837
Total						$ 1,031,878	$ 1,033,249

(1) Senior unsecured notes totaling approximately $9,637 bearing interest at 5.125% mature in October 2011. The remaining unsecured notes mature between 2012 and 2017.
(2) Represents stated rate.
(3) There are no scheduled maturities of secured notes in 2011. These notes mature between 2013 and 2019.

Debt maturities

A schedule of the aggregate maturities of the Company s indebtedness at June 30, 2011 is provided below.

Remainder of 2011	$	11,751	
2012		100,104	
2013		186,606	
2014		188,644	(1)
2015		124,205	
Thereafter		420,568	
	$	1,031,878	

(1) Includes outstanding balances on lines of credit totaling $0 at June 30, 2011.

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Debt issuances and retirements

There were no issuances or retirements of debt for the six months ended June 30, 2011.

Unsecured lines of credit

At June 30, 2011, the Company utilizes a $300,000 syndicated unsecured revolving line of credit (the Syndicated Line). The Syndicated Line was refinanced in January 2011, and the aggregate available capacity under the agreement was reduced from $400,000. The Syndicated Line has a stated interest rate of LIBOR plus 2.30% (previously LIBOR plus 0.80%) and was provided by a syndicate of eight financial institutions arranged by Wells Fargo Securities, LLC and J.P. Morgan Securities LLC. The Syndicated Line requires the payment of annual facility fees equal to 0.45% (previously 0.15%) of the aggregate loan commitment. The Syndicated Line matures in January 2014 and may be extended for an additional year at the Company s option, subject to the satisfaction of certain conditions in the agreement. The Syndicated Line provides for the interest rate and facility fee rate to be adjusted up or down based on changes in the credit ratings on the Company s senior unsecured debt. The rates under the Syndicated Line are based on the higher of the Company s unsecured debt ratings in instances where the Company has split unsecured debt ratings. The Syndicated Line also included a competitive bid option for up to 50% of the loan commitment at rates generally below the stated line rate, depending on market conditions. The credit agreement for the Syndicated Line contains customary restrictions, representations, covenants and events of default, including minimum fixed charge coverage, minimum unsecured interest coverage, minimum unsecured debt yield and maximum leverage ratios. The Syndicated Line also restricts the amount of capital the Company can invest in specific categories of assets, such as improved land, properties under construction, condominium properties, non-multifamily properties, debt or equity securities, notes receivable and unconsolidated affiliates. The Syndicated Line prohibits the Company from investing further capital in condominium assets, excluding its current investments in the Atlanta Condominium Project and the Austin Condominium Project, and certain mixed-use projects, as defined. At June 30, 2011, the Company had issued letters of credit to third parties totaling $710 under this facility. In connection with the refinancing of the Syndicated Line in January 2011, the Company paid fees and expenses of approximately $3,641.

Additionally, at June 30, 2011, the Company had a $30,000 unsecured line of credit with Wells Fargo Bank, N.A. (the Cash Management Line), which was amended and restated in January 2011. The Cash Management Line matures in January 2014 and carries pricing and terms, including debt covenants, substantially consistent with the Syndicated Line.

Debt compliance

The Company s Syndicated Line, Cash Management Line and senior unsecured notes contain customary restrictions, representations and events of default and require the Company to meet certain financial covenants. Debt service and fixed charge coverage covenants require the Company to maintain coverages of a minimum of 1.5 to 1.0, as defined in applicable debt arrangements. Additionally, the Company s ratio of unencumbered adjusted property-level net operating income to total unsecured debt may not be less than 0.115 to 1.0 and the ratio of unencumbered adjusted property-level net operating income to unsecured interest expense may not be less than 2.0 to 1.0, as defined in the applicable debt arrangements. Leverage covenants generally require the Company to maintain calculated covenants above/below minimum/maximum thresholds. The primary leverage ratios under these arrangements include total debt to total asset value (maximum of 60%), total secured debt to total asset value (maximum of 40%) and unencumbered assets to unsecured debt (minimum of 1.5 to 1.0), as defined in the applicable debt arrangements. The Company believes it met these financial covenants at June 30, 2011.

5. EQUITY AND NONCONTROLLING INTERESTS
Common stock

In February 2010, the Company initiated an at-the-market common equity sales program for the sale of up to 4,000 shares of common stock. For the three months and six ended June 30, 2011, sales of common stock under this program totaled 578 and 999 shares, respectively, for net proceeds of $22,733 and $38,233, respectively. For the three months and six ended June 30, 2010, sales of common stock under this program totaled 41 shares for net proceeds of $1,121. The Company has and expects to use the proceeds from this program for general corporate purposes.

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In December 2010, the Company s board of directors adopted a stock and unsecured note repurchase program under which the Company may repurchase up to $200,000 of common and preferred stock and unsecured notes through December 31, 2012. The Company repurchased preferred stock in 2011 under this program as discussed below.

Preferred stock repurchases

In March 2011, the Company redeemed its 7-5/8% Series B preferred stock at its redemption value of $49,571, plus accrued and unpaid dividends through the redemption date. In connection with the issuance of the Series B preferred stock in 1997, the Company incurred issuance costs and recorded such costs as a reduction of shareholders equity. The redemption price of the Series B preferred stock exceeded the related carrying value by the associated issuance costs and expenses of $1,757. In connection with the redemption, the Company reflected $1,757 of issuance costs and expenses as a reduction of earnings in arriving at the net loss attributable to common shareholders in 2011.

For the three and six months ended June 30, 2010, the Company repurchased preferred stock with a liquidation value of approximately $1,030 and $1,962, respectively, under a Rule 10b5-1 plan.

Computation of earnings (loss) per common share

For the three and six months ended June 30, 2011 and 2010, a reconciliation of the numerator and denominator used in the computation of basic and diluted net loss per common share is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2011	**2010**	**2011**	**2010**
Net income (loss) available to common shareholders (numerator):				
Net income (loss)	$ 9,834	$ (33,753)	$ 12,847	$ (34,880)
Noncontrolling interests - consolidated real estate entities	(58)	-	(47)	(61)
Noncontrolling interests - Operating Partnership	(30)	125	(29)	136
Preferred stock dividends	(922)	(1,878)	(2,611)	(3,768)
Preferred stock redemption costs	-	(37)	(1,757)	(45)
Unvested restricted stock (allocation of earnings)	(29)	159	(26)	162
Net income (loss) available to common shareholders	$ 8,795	$ (35,384)	$ 8,377	$ (38,456)
Common shares (denominator):				
Weighted average shares outstanding - basic	49,875	48,432	49,460	48,401
Dilutive shares from stock options	391	-	394	-
Weighted average shares outstanding - diluted	50,266	48,432	49,854	48,401
Per-share amount:				
Basic	$ 0.18	$ (0.73)	$ 0.17	$ (0.79)
Diluted	$ 0.17	$ (0.73)	$ 0.17	$ (0.79)

Stock options to purchase 533 and 2,351 shares of common stock for the three months ended and 533 and 2,297 shares of common stock for the six months ended June 30, 2011 and 2010, respectively, were excluded from the computation of diluted earnings (loss) per common share as these stock options were antidilutive.

Noncontrolling interests

In accordance with ASC Topic 810, the Company determined that the noncontrolling interests related to the common unitholders of the Operating Partnership met the criterion to be classified and accounted for as temporary equity (reflected outside of total equity as Redeemable Common Units). At June 30, 2011, the aggregate redemption value of the noncontrolling interests in the Operating Partnership of $6,627 was in excess of its net book value of $2,962. At December 31, 2010, the aggregate redemption value of the noncontrolling interests in the Operating Partnership of $6,192 was in excess of its net book value of $3,090. The Company further determined that the noncontrolling interests in its consolidated real estate entities met the criterion to be classified and accounted for as a component of permanent equity.

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The following table summarizes the activity related to the Company s redeemable common units for the six months ended June 30, 2011 and 2010:

	Six months ended June 30, 2011	Six months ended June 30, 2010
Redeemable common units, beginning of period	$ 6,192	$ 3,402
Comprehensive income (loss)		
Net income (loss)	29	(136)
Conversion of redeemable common units for shares	(321)	(74)
Adjustment for ownership interest of redeemable common units	225	(8)
Stock-based compensation	5	5
Distributions to common unitholders	(67)	(69)
Adjustment to redemption value of redeemable common units	564	757
Redeemable common units, end of period	$ 6,627	$ 3,877

6. FAIR VALUE MEASURES AND OTHER FINANCIAL INSTRUMENTS

From time to time, the Company records certain assets and liabilities at fair value. Real estate assets may be stated at fair value if they become impaired in a given period and may be stated at fair value if they are held for sale and the fair value of such assets is below historical cost. Additionally, the Company records derivative financial instruments, if any, at fair value. The Company also uses fair value metrics to evaluate the carrying values of its real estate assets and for the disclosure of financial instruments. Fair value measurements were determined by management using available market information and appropriate valuation methodologies available to management at June 30, 2011. Considerable judgment is necessary to interpret market data and estimate fair value. Accordingly, there can be no assurance that the estimates discussed herein, using Level 2 and 3 inputs, are indicative of the amounts the Company could realize on disposition of the real estate assets or other financial instruments. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair value amounts.

Real estate assets

The Company periodically reviews its real estate assets, including operating assets, construction in progress, land held for future investment and for-sale condominiums, for impairment purposes using Level 3 inputs, primarily comparable sales and market data, independent appraisals and discounted cash flow models.

During the second quarter of 2010, the Austin Condominium Project began delivering and closing completed condominium units. As a result, the community was classified as held for sale for financial reporting purposes. Under the held for sale impairment evaluation model, the Company wrote down the carry value of the community to its estimated fair value of $85,378 using level 3 inputs, primarily an independent valuation using a discounted cash flow model, and recorded impairment charges of $34,691 (see notes 2 and 8). In addition, in the second quarter of 2010, the Company wrote down the carrying value of a land parcel classified as held for sale to its estimated fair value of $3,177, using level 3 inputs, and recorded an impairment charge of $400.

Financial instruments

Cash equivalents, rents and accounts receivables, accounts payable, accrued expenses and other liabilities are carried at amounts which reasonably approximate their fair values because of the short-term nature of these instruments. At June 30, 2011, the fair value of fixed rate debt was approximately $1,088,504 (carrying value of $1,031,878). There was no variable rate debt outstanding at June 30, 2011. At December 31, 2010, the fair value of fixed rate debt was approximately $1,066,695 (carrying value of $1,033,249). There was no variable rate debt outstanding at December 31, 2010. Long-term indebtedness was valued using Level 2 inputs, primarily market prices of comparable debt instruments.

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In addition, the Company has recorded a contractual license fee obligation associated with one of its condominium communities (see note 3) at fair value of $5,964 at June 30, 2011. The fair value of this contractual obligation was $5,716 at December 31, 2010. The contractual obligation was valued using level 3 inputs, primarily a discounted cash flow model.

7. SEGMENT INFORMATION

Segment description

In accordance with ASC Topic 280, Segment Reporting, the Company presents segment information based on the way that management organizes the segments within the enterprise for making operating decisions and assessing performance. The segment information is prepared on the same basis as the internally reported information used by the Company s chief operating decision makers to manage the business.

The Company s chief operating decision makers focus on the Company s primary sources of income from apartment community rental operations. Apartment community rental operations are generally broken down into segments based on the various stages in the apartment community ownership lifecycle. These segments are described below. All commercial properties and other ancillary service and support operations are combined in the line item other property segments in the accompanying segment information. The segment information presented below reflects the segment categories based on the lifecycle status of each community as of January 1, 2010.

Fully stabilized communities those apartment communities which have been stabilized (the earlier of the point at which a property reaches 95% occupancy or one year after completion of construction) for both the current and prior year.

Communities stabilized during the prior year those apartment communities which reached stabilized occupancy in 2010.

Segment performance measure

Management uses contribution to consolidated property net operating income (NOI) as the performance measure for its operating segments. The Company uses NOI, including NOI of stabilized communities, as an operating measure. NOI is defined as rental and other property revenue from real estate operations less total property and maintenance expenses from real estate operations (excluding depreciation and amortization). The Company believes that NOI is an important supplemental measure of operating performance for a REIT s operating real estate because it provides a measure of the core operations, rather than factoring in depreciation and amortization, financing costs and general and administrative expenses generally incurred at the corporate level. This measure is particularly useful, in the opinion of the Company, in evaluating the performance of operating segment groupings and individual properties. Additionally, the Company believes that NOI, as defined, is a widely accepted measure of comparative operating performance in the real estate investment community. The Company believes that the line on the Company s consolidated statement of operations entitled net income (loss) is the most directly comparable GAAP measure to NOI.

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Segment information

The following table reflects each segment s contribution to consolidated revenues and NOI together with a reconciliation of segment contribution to property NOI to consolidated net income for the three and six months ended June 30, 2011 and 2010. Additionally, substantially all of the Company s assets relate to the Company s property rental operations. Asset cost, depreciation and amortization by segment are not presented because such information at the segment level is not reported internally.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Revenues				
Fully stabilized communities	$ 64,700	$ 61,698	$ 127,938	$ 122,741
Communities stabilized during 2010	5,003	3,681	9,783	6,599
Other property segments	5,494	5,181	10,791	10,080
Other	227	271	443	554
Consolidated revenues	$ 75,424	$ 70,831	$ 148,955	$ 139,974
Contribution to Property Net Operating Income				
Fully stabilized communities	$ 39,073	$ 36,274	$ 77,024	$ 71,444
Communities stabilized during 2010	2,777	1,587	5,453	2,399
Other property segments, including corporate management expenses	141	(216)	212	(829)
Consolidated property net operating income	41,991	37,645	82,689	73,014
Interest income	516	196	608	365
Other revenues	227	271	443	554
Depreciation	(18,808)	(18,643)	(37,560)	(37,114)
Interest expense	(14,437)	(12,561)	(28,912)	(25,174)
Amortization of deferred financing costs	(721)	(653)	(1,368)	(1,486)
General and administrative	(4,246)	(3,967)	(8,362)	(8,643)
Investment and development	(296)	(678)	(774)	(1,280)
Other investment costs	(455)	(490)	(949)	(1,159)
Impairment losses	-	(35,091)	-	(35,091)
Gains on condominium sales activities, net	5,432	187	6,176	1,135
Equity in income of unconsolidated real estate entities	346	173	555	296
Other income (expense), net	285	(142)	301	(297)
Net income (loss)	$ 9,834	$ (33,753)	$ 12,847	$ (34,880)

8. IMPAIRMENT, SEVERANCE AND OTHER CHARGES

In prior years, the Company recorded severance charges associated with the departure of certain executive officers of the Company. Under certain of these arrangements, the Company is required to make certain payments and provide specified benefits through 2013 and 2016. The following table summarizes the activity related to aggregate net severance charges for such executive officers for the six months ended June 30, 2011 and 2010:

	Six months ended June 30, 2011	Six months ended June 30, 2010
Accrued severance charges, beginning of period	$ 5,441	$ 7,671
Payments for period	(1,353)	(1,511)
Interest accretion	157	279
Accrued severance charges, end of period	$ 4,245	$ 6,439

For the three and six months ended June 30, 2010, the Company recorded aggregate impairment charges of $34,691 to write-down the carrying value of its consolidated condominium project in Austin, Texas and recorded impairment charges of $400 to write-down the carrying value of a land parcel classified as held for sale to their fair values at June 30, 2010 (see notes 2 and 6).

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9. STOCK-BASED COMPENSATION PLANS

Incentive stock plans

Incentive stock awards are granted under the Company s 2003 Incentive Stock Plan, as amended and restated in October 2008 (the 2003 Stock Plan). Under the 2003 Stock Plan, an aggregate of 3,469 shares of common stock were reserved for issuance. Of this amount, stock grants count against the total shares available under the 2003 Stock Plan as 2.7 shares for every one share issued, while options (and stock appreciation rights (SAR) settled in shares) count against the total shares available as one share for every one share issued on the exercise of an option (or SAR). The exercise price of each option granted under the 2003 Stock Plan may not be less than the market price of the Company s common stock on the date of the option grant and all options may have a maximum life of ten years. Participants receiving restricted stock grants are generally eligible to vote such shares and receive dividends on such shares. Substantially all stock option and restricted stock grants are subject to annual vesting provisions (generally three to five years) as determined by the compensation committee overseeing the 2003 Stock Plan.

Compensation costs for stock options have been estimated on the grant date using the Black-Scholes option-pricing method. The weighted average assumptions used in the Black-Scholes option-pricing model are as follows:

	Six months ended June 30,	
	2011	2010
Dividend yield	2.2%	4.4%
Expected volatility	42.4%	41.6%
Risk-free interest rate	2.7%	2.8%
Expected option term (years)	6.0 years	6.0 years

The Company s assumptions were derived from the methodologies discussed herein. The expected dividend yield reflects the Company s current historical yield, which was expected to approximate the future yield. Expected volatility was based on the historical volatility of the Company s common stock. The risk-free interest rate for the expected life of the options was based on the implied yields on the U.S. Treasury yield curve. The weighted average expected option term was based on the Company s historical data for prior period stock option exercise and forfeiture activity.

Stock options

Compensation cost for stock options is amortized ratably into compensation expense over the applicable vesting periods. The Company recorded compensation expense related to stock options of $92 and $70 for the three months ended and $186 and $177 for the six months ended June 30, 2011 and 2010, respectively, under the fair value method. At June 30, 2011, there was $551 of unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted average period of 1.9 years.

A summary of stock option activity under all plans for the six months ended June 30, 2011 and 2010 is as follows:

	Six months ended June 30, 2011		2010	
	Shares	Exercise Price	Shares	Exercise Price
Options outstanding, beginning of period	2,068	$ 31	2,516	$ 31
Granted	25	37	66	18
Exercised	(466)	29	(50)	12
Expired	(10)	38	(235)	38
Options outstanding, end of period (1)	1,617	31	2,297	30
Options exercisable, end of period (1)	1,464	33	2,062	32
Options vested and expected to vest, end of period (1)	1,610	31	2,286	30
Weighted average fair value of options granted during the period	$ 13.18		$ 5.08	

(1) At June 30, 2011, the aggregate intrinsic value of stock options outstanding, exercisable and vested/expected to vest was $16,848, $13,362 and $16,658, respectively. At that same date, the weighted average remaining contractual lives of stock options outstanding, exercisable and vested/expected to vest was 3.5 years, 3.0 years and 3.5 years, respectively.

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Upon the exercise of stock options, the Company issues shares of common stock from treasury shares or, to the extent treasury shares are not available, from authorized common shares. The total intrinsic value of stock options exercised during the six months ended June 30, 2011 and 2010 was $4,180 and $730, respectively.

At June 30, 2011, the Company segregated its outstanding options into two ranges, based on exercise prices, as follows:

Option Ranges	Options Outstanding			Options Exercisable	
	Shares	Weighted Avg. Price	Weighted Avg. Life (Years)	Shares	Weighted Avg. Price
$12.22 - $27.98	846	$ 23	3.4	717	$ 25
$28.82 - $48.00	771	40	3.7	747	40
Total	1,617	31	3.5	1,464	33

Restricted stock

Compensation cost for restricted stock is amortized ratably into compensation expense over the applicable vesting periods. Total compensation expense related to restricted stock was $476 and $552 for the three months ended and $976 and $1,108 for the six months ended June 30, 2011 and 2010, respectively. At June 30, 2011, there was $2,824 of unrecognized compensation cost related to restricted stock. This cost is expected to be recognized over a weighted average period of 1.9 years. The total intrinsic value of restricted shares vested for the six months ended June 30, 2011 and 2010 was $65 and $38, respectively.

A summary of the activity related to the Company s restricted stock for the six months ended June 30, 2011 and 2010 is as follows:

	Six months ended June 30,			
	2011		2010	
	Shares	Exercise Price	Shares	Exercise Price
Unvested share, beginning or period	129	$ 19	132	$ 21
Granted (1)	41	37	87	18
Vested	(1)	15	(2)	16
Forfeited	-	-	-	-
Unvested shares, end of period	169	24	217	20

(1) The total value of the restricted share grants for the six months ended June 30, 2011 and 2010 was $1,532 and $1,582, respectively.

Employee stock purchase plan

The Company maintains an Employee Stock Purchase Plan (the ESPP) approved by Company shareholders in 2005. The maximum number of shares issuable under the ESPP is 300. The purchase price of shares of common stock under the ESPP is equal to 85% of the lesser of the closing price per share of common stock on the first or last day of the trading period, as defined. The Company records the aggregate cost of the ESPP (generally the 15% discount on the share purchases) as a period expense. Total compensation expense relating to the ESPP was $30 and $31 for the three months ended and $116 and $107 for the six months ended June 30, 2011 and 2010, respectively.

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10. INCOME TAXES

The Company has elected to be taxed as a REIT under the Code. To qualify as a REIT, the Company must distribute annually at least 90% of its adjusted taxable income, as defined in the Code, to its shareholders and satisfy certain other organizational and operating requirements. It is management s current intention to adhere to these requirements and maintain the Company s REIT status. As a REIT, the Company generally will not be subject to federal income tax at the corporate level on the taxable income it distributes to its shareholders. Should the Company fail to qualify as a REIT in any tax year, it may be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. The Company may be subject to certain state and local taxes on its income and property, and to federal income taxes and excise taxes on its undistributed taxable income.

In the preparation of income tax returns in federal and state jurisdictions, the Company and its taxable REIT subsidiaries assert certain tax positions based on their understanding and interpretation of the income tax law. The taxing authorities may challenge such positions and the resolution of such matters could result in the payment and recognition of additional income tax expense. Management believes it has used reasonable judgments and conclusions in the preparation of its income tax returns. The Company and its subsidiaries (including the Company s taxable REIT subsidiaries (TRSs)) income tax returns are subject to examination by federal and state tax jurisdictions for years 2007 through 2009. Net income tax loss carryforwards and other tax attributes generated in years prior to 2007 are also subject to challenge in any examination of the 2007 to 2009 tax years.

As of June 30, 2011 and December 31, 2010, the Company s TRSs had unrecognized tax benefits of approximately $797 which primarily related to uncertainty regarding the sustainability of certain deductions taken on prior year income tax returns of the TRS with respect to the amortization of certain intangible assets. The uncertainty surrounding this unrecognized tax benefit will generally be clarified in future periods as income tax loss carryforwards are utilized. To the extent these unrecognized tax benefits are ultimately recognized, they may affect the effective tax rate in a future period. The Company s policy is to recognize interest and penalties, if any, related to unrecognized tax benefits as income tax expense. Accrued interest and penalties for the three and six months ended June 30, 2011 and 2010 and at June 30, 2011 were not material to the Company s results of operations, cash flows or financial position.

The Company utilizes TRSs principally to perform such non-REIT activities as asset and property management, for-sale housing (condominiums) sales and other services. These TRSs are subject to federal and state income taxes. For the three and six months ended June 30, 2011 and 2010, the TRSs recorded no net income tax expense (benefit) for federal income taxes as a result of estimated taxable losses and the inability to recognize tax benefits related to such losses due to the uncertainty surrounding their ultimate realization.

At December 31, 2010, management had established valuation allowances of approximately $60,456 against net deferred tax assets due primarily to historical losses at the TRSs in prior years and the variability of the income (loss) of these subsidiaries. The tax benefits associated with such unused valuation allowances may be recognized in future periods, if the taxable REIT subsidiaries generate sufficient taxable income to utilize such amounts or if the Company determines that it is more likely than not that the related deferred tax assets are realizable.

A summary of the components of the TRS deferred tax assets and liabilities at December 31, 2010 is included in the footnotes to the Company s audited financial statements included in its Form 10-K. There were no material changes to the components of deferred tax assets, deferred tax asset valuation allowances and deferred liabilities at June 30, 2011.

11. LEGAL PROCEEDINGS, COMMITMENTS AND CONTINGENCIES

In November 2006, the Equal Rights Center (ERC) filed a lawsuit against the Company and the Operating Partnership in the United States District Court for the District of Columbia. This suit alleges various violations of the Fair Housing Act (FHA) and the Americans with Disabilities Act (ADA) at properties designed, constructed or operated by the Company and the Operating Partnership in the District of

Columbia, Virginia, Colorado, Florida, Georgia, New York, North Carolina and Texas. On September 28, 2009, the Court dismissed this suit in its entirety. In granting the Company and the Operating Partnership s request to dismiss the suit, the Court held that the plaintiff lacked standing to bring the claims. On October 13, 2009, the Company and the Operating Partnership moved the Court for a finding of entitlement of an award of the Company and the Operating Partnership s costs, expenses and attorney s fees incurred in defending the action and requested that briefing to determine the amount to which the Company and

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POST PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, in thousands, except per share or unit and apartment unit data)

the Operating Partnership are entitled be scheduled after the finding of entitlement. By order dated November 30, 2010, the Court denied the Company and the Operating Partnership s motion holding that ERC s counsel s conduct in pursuing its suit against the Company and the Operating Partnership is not sanctionable. On October 14, 2009, the ERC filed a notice of appeal of the Court s decision to dismiss the action to the United States Court of Appeals for the District of Columbia Circuit. On March 9, 2011, the Court of Appeals entered an opinion and order affirming the dismissal of the action with prejudice. The time periods for ERC to further appeal the decision have expired. Hence, the dismissal of the lawsuit is final.

In September 2010, the United States Department of Justice (the DOJ) filed a lawsuit against the Company and the Operating Partnership in the United States District Court for the Northern District of Georgia. The suit alleges various violations of the FHA and the ADA at properties designed, constructed or operated by the Company and the Operating Partnership in the District of Columbia, Virginia, Florida, Georgia, New York, North Carolina and Texas. The plaintiff seeks statutory damages and a civil penalty in unspecified amounts, as well as injunctive relief that includes retrofitting apartments and public use areas to comply with the FHA and the ADA and prohibiting construction or sale of noncompliant units or complexes. The Company and the Operating Partnership filed a motion to transfer the case to the United States District Court for the District of Columbia, where the previous ERC case had been proceeding. On October 29, 2010, the United States District Court for the Northern District of Georgia issued an opinion finding that the complaint shows that the DOJ s and ERC s claims are essentially the same, and, therefore, granted the Company and the Operating Partnership s motion and transferred the DOJ s case to the United States District Court for the District of Columbia. The DOJ s case has been assigned to the same Judge who heard the ERC case. Limited discovery is proceeding as permitted by the Court. Due to the preliminary nature of the litigation, it is not possible to predict or determine the outcome of the legal proceeding, nor is it possible to estimate the amount of loss, if any, that would be associated with an adverse decision.

The Company and the Operating Partnership are involved in various other legal proceedings incidental to their business from time to time, most of which are expected to be covered by liability or other insurance. Management of the Company and Operating Partnership believes that any resolution of pending proceedings or liability to the Company or Operating Partnership which may arise as a result of these various other legal proceedings will not have a material adverse effect on the Company or Operating Partnership s results of operations or financial position.

12. SUBSEQUENT EVENTS

The Company evaluated the accounting and disclosure requirements for subsequent events reporting through the issuance date of the financial statements. There were no material subsequent events in this period.

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POST APARTMENT HOMES, L.P.

CONSOLIDATED BALANCE SHEETS

(In thousands)

	June 30, 2011 (Unaudited)	December 31, 2010
Assets		
Real estate assets		
Land	$ 292,396	$ 285,005
Building and improvements	2,036,206	2,028,580
Furniture, fixtures and equipment	245,283	240,614
Construction in progress	58,096	25,734
Land held for future investment	55,420	72,697
	2,687,401	2,652,630
Less: accumulated depreciation	(729,759)	(692,514)
For-sale condominiums	68,098	82,259
Total real estate assets	2,025,740	2,042,375
Investments in and advances to unconsolidated real estate entities	7,350	7,671
Cash and cash equivalents	28,955	22,089
Restricted cash	5,328	5,134
Deferred charges, net	10,032	8,064
Other assets	29,351	29,446
Total assets	$ 2,106,756	$ 2,114,779
Liabilities and equity		
Indebtedness	$ 1,031,878	$ 1,033,249
Accounts payable and accrued expenses	65,476	66,977
Investments in unconsolidated real estate entities	15,662	15,384
Distributions payable	10,124	9,814
Accrued interest payable	5,791	5,841
Security deposits and prepaid rents	9,970	10,027
Total liabilities	1,138,901	1,141,292
Redeemable common units	6,627	6,192
Commitments and contingencies		
Equity		
Operating Partnership equity		
Preferred units	43,392	92,963
Common units		
General partner	10,795	10,354
Limited partner	906,922	863,773
Total Operating Partnership equity	961,109	967,090
Noncontrolling interests - consolidated real estate entities	119	205
Total equity	961,228	967,295
Total liabilities and equity	$ 2,106,756	$ 2,114,779

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

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POST APARTMENT HOMES, L.P.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per unit data)

(Unaudited)

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Revenues				
Rental	$ 70,499	$ 66,379	$ 139,592	$ 131,513
Other property revenues	4,698	4,181	8,920	7,907
Other	227	271	443	554
Total revenues	75,424	70,831	148,955	139,974
Expenses				
Total property operating and maintenance (exclusive of items shown separately below)	33,206	32,915	65,823	66,406
Depreciation	18,808	18,643	37,560	37,114
General and administrative	4,246	3,967	8,362	8,643
Investment and development	296	678	774	1,280
Other investment costs	455	490	949	1,159
Impairment losses	-	35,091	-	35,091
Total expenses	57,011	91,784	113,468	149,693
Operating income (loss)	18,413	(20,953)	35,487	(9,719)
Interest income	516	196	608	365
Interest expense	(14,437)	(12,561)	(28,912)	(25,174)
Amortization of deferred financing costs	(721)	(653)	(1,368)	(1,486)
Net gains on condominium sales activities	5,432	187	6,176	1,135
Equity in income of unconsolidated real estate entities, net	346	173	555	296
Other income (expense), net	285	(142)	301	(297)
Net income (loss)	9,834	(33,753)	12,847	(34,880)
Noncontrolling interests - consolidated real estate entities	(58)	-	(47)	(61)
Net income (loss) available to the Operating Partnership	9,776	(33,753)	12,800	(34,941)
Distributions to preferred unitholders	(922)	(1,878)	(2,611)	(3,768)
Preferred unit redemption costs	-	(37)	(1,757)	(45)
Net income (loss) available to common unitholders	$ 8,854	$ (35,668)	$ 8,432	$ (38,754)
Per common unit data - Basic				
Net income (loss) available to common unitholders	$ 0.18	$ (0.73)	$ 0.17	$ (0.79)
Weighted average common units outstanding - basic	50,044	48,603	49,630	48,574
Per common unit data - Diluted				
Net income (loss) available to common unitholders	$ 0.17	$ (0.73)	$ 0.17	$ (0.79)

Weighted average common units outstanding - diluted	50,435	48,603	50,024	48,574

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

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POST APARTMENT HOMES, L.P.

CONSOLIDATED STATEMENTS OF EQUITY

(In thousands) (Unaudited)

		Common Units		Total Operating	Noncontrolling Interests -	
	Preferred Units	General Partner	Limited Partners	Partnership Equity	Consolidated Real Estate Entities	Total Equity
2011						
Equity, December 31, 2010	$ 92,963	$ 10,354	$ 863,773	$ 967,090	$ 205	$ 967,295
Comprehensive income (loss)						
Net income (loss)	2,611	102	10,058	12,771	47	12,818
Contributions from the Company related to sales of Company common stock	-	382	37,851	38,233	-	38,233
Contributions from the Company related to employee stock purchase, stock option and other plans	-	145	14,343	14,488	-	14,488
Conversion of redeemable common units	-	-	321	321	-	321
Adjustment for ownership interest of redeemable common units	-	-	(225)	(225)	-	(225)
Redemption of preferred units	(49,571)	-	(62)	(49,633)	-	(49,633)
Equity-based compensation	-	13	1,260	1,273	-	1,273
Distributions to preferred unitholders	(2,611)	-	-	(2,611)	-	(2,611)
Distributions to common unitholders ($0.40 per unit)	-	(201)	(19,833)	(20,034)	-	(20,034)
Distributions to noncontrolling interests - consolidated real estate entities	-	-	-	-	(133)	(133)
Adjustment to redemption value of redeemable common units	-	-	(564)	(564)	-	(564)
Equity, June 30, 2011	$ 43,392	$ 10,795	$ 906,922	$ 961,109	$ 119	$ 961,228
2010						
Equity, December 31, 2009	$ 95,000	$ 10,786	$ 909,333	$ 1,015,119	$ 934	$ 1,016,053
Comprehensive income						
Net income (loss)	3,768	(387)	(38,186)	(34,805)	61	(34,744)
Contributions from the Company related to sales of Company common stock	-	11	1,110	1,121	-	1,121
Contributions from the Company related to employee stock purchase, stock option and other plans	-	16	1,625	1,641	-	1,641
Conversion of redeemable common units	-	-	74	74	-	74
Adjustment for ownership interest of redeemable common units	-	-	8	8	-	8
Redemption of preferred units	(1,961)	-	12	(1,949)	-	(1,949)
Equity-based compensation	-	14	1,373	1,387	-	1,387
Distributions to preferred unitholders	(3,768)	-	-	(3,768)	-	(3,768)
Distributions to common unitholders ($0.40 per unit)	-	(195)	(19,263)	(19,458)	-	(19,458)
Distributions to noncontrolling interests - consolidated real estate entities	-	-	-	-	(240)	(240)
Adjustment to redemption value of redeemable common units	-	-	(757)	(757)	-	(757)
Equity, June 30, 2010	$ 93,039	$ 10,245	$ 855,329	$ 958,613	$ 755	$ 959,368

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

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POST APARTMENT HOMES, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, except per unit data)

(Unaudited)

	Six months ended June 30,	
	2011	**2010**
Cash Flows From Operating Activities		
Net income (loss)	$ 12,847	$ (34,880)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	37,560	37,114
Amortization of deferred financing costs	1,368	1,486
Gains on sales of real estate assets, net	(6,176)	(1,135)
Other, net	665	-
Asset impairment charges	-	35,091
Equity in income of unconsolidated entities, net	(555)	(296)
Distributions of earnings of unconsolidated entities	1,080	873
Deferred compensation	48	86
Equity-based compensation	1,278	1,392
Changes in assets, decrease (increase) in:		
Other assets	(309)	28
Deferred charges	(141)	(160)
Changes in liabilities, increase (decrease) in:		
Accrued interest payable	(50)	(197)
Accounts payable and accrued expenses	1,065	1,829
Security deposits and prepaid rents	(251)	(912)
Net cash provided by operating activities	48,429	40,319
Cash Flows From Investing Activities		
Construction and acquisition of real estate assets, net of payables	(36,965)	(29,915)
Net proceeds from sales of real estate assets	32,765	17,748
Capitalized interest	(1,006)	(4,894)
Property capital expenditures	(10,812)	(17,952)
Corporate additions and improvements	(486)	(224)
Investments in and advances to unconsolidated entities	-	(781)
Note receivable collections and other investments	434	146
Net cash used in investing activities	(16,070)	(35,872)
Cash Flows From Financing Activities		
Lines of credit proceeds	24,523	78,014
Lines of credit repayments	(24,523)	(63,014)
Payments on indebtedness	(1,371)	(420)
Payments of financing costs and other	(3,972)	(880)
Contributions from the Company related to stock sales, employee stock purchase and stock option plans	52,018	1,976
Redemption of preferred units	(49,633)	(1,949)
Distributions to noncontrolling interests - real estate entities	(133)	(240)
Distributions to noncontrolling interests - non-Company common unitholders	(68)	(70)
Distributions to preferred unitholders	(2,611)	(3,768)
Distributions to common unitholders	(19,723)	(19,410)

Net cash used in financing activities	(25,493)	(9,761)
Net increase (decrease) in cash and cash equivalents	6,866	(5,314)
Cash and cash equivalents, beginning of period	22,089	13,347
Cash and cash equivalents, end of period	$ 28,955	$ 8,033

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

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POST APARTMENT HOMES, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, in thousands, except per share or unit and apartment unit data)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Post Apartment Homes, L.P. (the Operating Partnership), a Georgia limited partnership, and its subsidiaries develop, own and manage upscale multi-family apartment communities in selected markets in the United States. Post Properties, Inc. (the Company) through its wholly-owned subsidiaries is the sole general partner, a limited partner and owns a majority interest in the Operating Partnership. The Operating Partnership, through its operating divisions and subsidiaries conducts substantially all of the on-going operations of Post Properties, Inc., a publicly traded company which operates as a self-administered and self-managed real estate investment trust.

At June 30, 2011 the Company owned 99.7% of the common limited partnership interests (Common Units) in the Operating Partnership and 100% of the preferred limited partnership interests (Preferred Units). The Company s weighted average common ownership interest in the Operating Partnership was 99.7% for the three and six months ended June 30, 2011 and 2010. Common Units held by persons other than the Company totaled 163 at June 30, 2011 and represented a 0.3% ownership interest in the Operating Partnership. Each Common Unit may be redeemed by the holder thereof for either one share of Company common stock or cash equal to the fair market value thereof at the time of such redemptions, at the option, but outside the control, of the Operating Partnership. The Operating Partnership presently anticipates that it will cause shares of common stock to be issued in connection with each such redemption rather than paying cash (as has been done in all redemptions to date). With each redemption of outstanding Common Units for Company common stock, the Company s percentage ownership interest in the Operating Partnership will increase. In addition, whenever the Company issues shares of common stock, the Company will contribute any net proceeds therefrom to the Operating Partnership and the Operating Partnership will issue an equivalent number of Common Units to the Company.

At June 30, 2011, the Operating Partnership had interests in 21,431 apartment units in 57 apartment communities, including 1,747 apartment units in five communities held in unconsolidated entities and 1,568 apartment units in five communities currently under development. The Company is also selling luxury for-sale condominium homes in two communities through a taxable REIT subsidiary. At June 30, 2011, approximately 34.7%, 22.7%, 12.9% and 10.6% (on a unit basis) of the Operating Partnership s operating communities were located in the Atlanta, Dallas, the greater Washington D.C. and Tampa metropolitan areas, respectively.

Under the provisions of the limited partnership agreement, as amended, Operating Partnership net profits, net losses and cash flow (after allocations to preferred ownership interests) are allocated to the partners in proportion to their common ownership interests. Cash distributions from the Operating Partnership shall be, at a minimum, sufficient to enable the Company to satisfy its annual dividend requirements to maintain its REIT status under the Code.

Basis of presentation

The accompanying unaudited financial statements have been prepared by the Operating Partnership s management in accordance with generally accepted accounting principles for interim financial information and applicable rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normally recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the three and six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the full year. These financial statements should be read in conjunction with the Operating Partnership s audited financial statements and notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2010 (the Form 10-K).

The accompanying consolidated financial statements include the consolidated accounts of the Operating Partnership and its wholly owned subsidiaries. The Operating Partnership also consolidates other entities in which it has a controlling financial interest or entities where it is determined to be the primary beneficiary under ASC Topic 810, Consolidation. Under ASC Topic 810, variable interest entities (VIEs) are generally entities that lack sufficient equity to finance their activities without additional financial support from other parties or whose equity holders lack adequate decision making ability. The primary beneficiary is required to consolidate a VIE for financial reporting purposes. The application of ASC Topic 810 requires management to make significant estimates and judgments about the Operating Partnership s and its other partners rights, obligations and economic interests in such entities. For entities in which the Operating Partnership has less than a controlling financial interest or entities where it is not deemed to be the primary beneficiary, the entities are accounted for using the equity method of accounting. Accordingly, the Operating Partnership s share of the net earnings or losses of these entities is included in consolidated net income. All significant inter-company accounts and

POST APARTMENT HOMES, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, in thousands, except per share or unit and apartment unit data)

transactions have been eliminated in consolidation. The noncontrolling interest of common unitholders (also referred to as Redeemable Common Units) in the operations of the Operating Partnership is calculated based on the weighted average unit ownership during the period.

Revenue recognition

Residential properties are leased under operating leases with terms of generally one year or less. Rental revenues from residential leases are recognized on the straight-line method over the approximate life of the leases, which is generally one year. The recognition of rental revenues from residential leases when earned has historically not been materially different from rental revenues recognized on a straight-line basis.

Under the terms of residential leases, the residents of the Operating Partnership s residential communities are obligated to reimburse the Operating Partnership for certain utility usage, water and electricity (at selected properties), where the Operating Partnership is the primary obligor to the public utility entity. These utility reimbursements from residents are reflected as other property revenues in the consolidated statements of operations.

Sales and the associated gains or losses of real estate assets and for-sale condominiums are recognized in accordance with the provisions of ASC Topic 360-20, Property, Plant and Equipment Real Estate Sales. For newly developed condominiums, the Operating Partnership accounts for each project under either the Deposit Method or the Percentage of Completion Method, based on a specific evaluation of the factors specified in ASC Topic 360-20. The factors used to determine the appropriate accounting method are the legal commitment of the purchaser in the real estate contract, whether the construction of the project is beyond a preliminary phase, whether sufficient units have been contracted to ensure the project will not revert to a rental project, the ability to reasonably estimate the aggregate project sale proceeds and aggregate project costs and the determination that the buyer has made an adequate initial and continuing cash investment under the contract in accordance with ASC Topic 360-20. As of June 30, 2011, all newly developed condominium communities are accounted for under the Deposit Method. Under ASC Topic 360-20, the Operating Partnership uses the relative sales value method to allocate costs and recognize profits from condominium sales. Under the relative sales value method, estimates of aggregate project revenues and aggregate project costs are used to determine the allocation of project cost of sales and the resulting profit in each accounting period. In subsequent periods, cumulative project cost of sale allocations and the resulting profits are adjusted to reflect changes in the actual and estimated costs and revenues of each project.

Real estate assets, depreciation and impairment

Real estate assets are stated at the lower of depreciated cost or fair value, if deemed impaired. Major replacements and betterments are capitalized and depreciated over their estimated useful lives. Depreciation is computed on a straight-line basis over the useful lives of the properties (buildings and components and related land improvements 20-40 years; furniture, fixtures and equipment 5-10 years).

The Operating Partnership continually evaluates the recoverability of the carrying value of its real estate assets using the methodology prescribed in ASC Topic 360, Property, Plant and Equipment. Factors considered by management in evaluating impairment of its existing real estate assets held for investment include significant declines in property operating profits, annually recurring property operating losses and other significant adverse changes in general market conditions that are considered permanent in nature. Under ASC Topic 360, a real estate asset held for investment is not considered impaired if the undiscounted, estimated future cash flows of an asset (both the annual estimated cash flow from future operations and the estimated cash flow from the theoretical sale of the asset) over its estimated holding period are in excess of the asset s net book value at the balance sheet date. If any real estate asset held for investment is considered impaired, a loss is provided to reduce the carrying value of the asset to its estimated fair value. In addition, for-sale condominium units completed and ready for their intended use are evaluated for impairment using the methodology for assets held for sale (using discounted projected future cash flows).

The Operating Partnership periodically classifies real estate assets as held for sale. An asset is classified as held for sale after the approval of the Company s board of directors and after an active program to sell the asset has commenced. Upon the classification of a real estate asset as held for sale, the carrying value of the asset is reduced to the lower of its net book value or its estimated fair value, less costs to sell the asset. Subsequent to the classification of assets as held for sale, no further depreciation expense is recorded. Real estate assets held for sale are stated separately on the accompanying consolidated balance sheets. Upon a decision to no longer market an asset for sale, the asset is classified as an operating asset and depreciation expense is reinstated. As of June 30, 2011, except for for-sale condominium units, there were no real estate assets for sale.

POST APARTMENT HOMES, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, in thousands, except per share or unit and apartment unit data)

For newly developed condominium communities, the operating results and associated gains and losses are reflected in continuing operations (see discussion under revenue recognition above), and the net book value of the condominium assets is reflected separately on the consolidated balance sheet in the caption titled, For-sale condominiums.

Supplemental cash flow information

Supplemental cash flow information for the six months ended June 30, 2011 and 2010 is as follows:

	Six months ended June 30, 2011	Six months ended June 30, 2010
Interest paid, including interest capitalized	$ 29,968	$ 30,265
Income tax payments, net	705	155
Non-cash investing and financing activities:		
Distributions committed	10,124	9,711
Conversions of redeemable common units	321	74
Common stock 401k matching contribution	655	700
Construction cost accruals, decrease	3,332	4,723
Adjustments to redeemable common units, net	(789)	(749)

2. REAL ESTATE ACTIVITY
Acquisitions / Dispositions

In June 2011, the Operating Partnership acquired the land under its Post Renaissance® apartment community for approximately $6,670 and the former ground leases associated with the land were terminated. The Operating Partnership did not acquire any apartment communities in the three or six months ended June 30, 2011 or 2010. At June 30, 2011, the Operating Partnership did not have any apartment communities or land parcels classified as held for sale. In addition, there were no sales of apartment communities or land parcels in the three or six months ended June 30, 2011 or 2010.

Condominium activities

As of June 30, 2011, the Operating Partnership is selling condominium homes in two wholly owned condominium communities. The Operating Partnership s condominium community in Austin, Texas (the Austin Condominium Project), originally consisting of 148 condominium units, had an aggregate carrying value of $44,344 at June 30, 2011. The Austin Condominium Project commenced closings of condominium units in the second quarter of 2010. The Operating Partnership s condominium community in Atlanta, Georgia (the Atlanta Condominium Project), originally consisting of 129 condominium units, had an aggregate carrying value of $23,754 at June 30, 2011. The Atlanta Condominium Project commenced closings of condominium units in the fourth quarter of 2010. These amounts were included in the accompanying balance sheet under the caption, For-sale condominiums. Additionally, in the first half of 2010, the Operating Partnership completed its final sales of condominium units at two condominium conversion communities.

The revenues, costs and expenses associated with the Operating Partnership s condominium activities for the three and six months ended June 30, 2011 and 2010 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Condominium revenues	$ 19,090	$ 15,908	$ 32,765	$ 17,748
Condominium costs and expenses	(13,658)	(15,721)	(26,589)	(16,613)
Net gains on sales of condominiums	$ 5,432	$ 187	$ 6,176	$ 1,135

The Operating Partnership closed 18 and 10 condominium homes for the three months and 30 and 17 condominium homes for the six months ended June 30, 2011 and 2010, respectively, at its condominium communities.

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POST APARTMENT HOMES, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, in thousands, except per share or unit and apartment unit data)

In the second quarter of 2010, the Operating Partnership recorded an impairment charge of $34,691 to write down the Austin Condominium Project to its estimated fair value at that time. The impairment charge was recorded at the time the Austin Condominium Project began delivering and closing units and, consequently, was classified as held for sale for financial reporting purposes. The estimated fair value of the project was derived from the discounted present value of the project s estimated future cash flows over an extended sell-out period, considering current market conditions in the Austin market at that time.

3. INVESTMENTS IN UNCONSOLIDATED REAL ESTATE ENTITIES
Apartment LLCs

At June 30, 2011, the Operating Partnership held investments in various individual limited liability companies (the Apartment LLCs) with institutional investors that own five apartment communities, including four communities located in Atlanta, Georgia and one community located in Washington, D.C. The Operating Partnership has a 25% to 35% equity interest in these Apartment LLCs.

The Operating Partnership accounts for its investments in the Apartment LLCs using the equity method of accounting. At June 30, 2011 and December 31, 2010, the Operating Partnership s investment in the 35% owned Apartment LLCs totaled $7,350 and $7,671, respectively, excluding the credit investments discussed below. The excess of the Operating Partnership s investment over its equity in the underlying net assets of these Apartment LLCs was approximately $4,689 at June 30, 2011. The excess investment related to these Apartment LLCs is being amortized as a reduction to earnings on a straight-line basis over the lives of the related assets. The Operating Partnership s investment in the 25% owned Apartment LLCs at June 30, 2011 and December 31, 2010 reflects a credit investment of $15,662 and $15,384, respectively. These credit balances resulted from distribution of financing proceeds in excess of the Operating Partnership s historical cost upon the formation of the Apartment LLCs and are reflected in consolidated liabilities on the Operating Partnership s consolidated balance sheet. The operating results of the Operating Partnership include its allocable share of net income from the investments in the Apartment LLCs. The Operating Partnership provides property and asset management services to the Apartment LLCs for which it earns fees.

A summary of financial information for the Apartment LLCs in the aggregate is as follows:

Apartment LLCs - Balance Sheet Data	June 30, 2011	December 31, 2010
Real estate assets, net of accumulated depreciation of $37,855 and $35,520 at March 31, 2011 and December 31, 2010, respectively	$ 249,026	$ 250,651
Cash and other	6,277	6,518
Total assets	$ 255,303	$ 257,169
Mortgage notes payable	$ 206,495	$ 206,495
Other liabilities	3,337	2,460
Total liabilities	209,832	208,955
Members equity	45,471	48,214

Total liabilities and members equity	$	255,303	$	257,169
Operating Partnership s equity investment in Apartment LLCs (1)	$	(8,312)	$	(7,713)

(1) At June 30, 2011 and December 31, 2010, the Operating Partnership s equity investment includes its credit investments of $15,662 and $15,384, respectively, discussed above.

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POST APARTMENT HOMES, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, in thousands, except per share or unit and apartment unit data)

Apartment LLCs - Income Statement Data	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Revenues				
Rental	$ 6,843	$ 6,511	$ 13,573	$ 12,994
Other property revenues	552	513	1,034	971
Total revenues	7,395	7,024	14,607	13,965
Expenses				
Property operating and maintenance	2,770	2,920	5,648	5,808
Depreciation and amortization	1,722	1,681	3,428	3,357
Interest	2,986	2,986	5,939	5,939
Total expenses	7,478	7,587	15,015	15,104
Net loss	$ (83)	$ (563)	$ (408)	$ (1,139)
Operating Partnership s share of net income	$ 346	$ 173	$ 555	$ 296

At June 30, 2011, mortgage notes payable included five mortgage notes. The first $50,500 mortgage note bears interest at 5.82%, requires monthly interest only payments and matures in 2013. The note is prepayable without penalty beginning in September 2011. The second mortgage note payable totals $29,272, bears interest at 5.83%, requires monthly interest only payments and matures in 2013. The note is prepayable without penalty beginning in September 2011. The third and fourth mortgage notes total $85,723, bear interest at 5.63%, require interest only payments and mature in 2017. The fifth mortgage note totals $41,000, bears interest at 5.71%, requires interest only payments, and matures in January 2018 with a one-year automatic extension at a variable interest rate.

Condominium LLC

In periods prior to September 2010, the Operating Partnership and its partner held an approximate pro-rata 49% interest in a limited partnership (the Mixed-Use LP) that was constructing a mixed-use development, consisting of the Atlanta Condominium Project and Class A office space, sponsored by two additional independent investors. Prior to September 2010, the Operating Partnership accounted for its investment in the Mixed-Use LLC using the equity method of accounting.

In September 2010, the Atlanta Condominium Project and associated liabilities (including construction indebtedness) were conveyed to the Operating Partnership and its partner in full redemption of their interest in the Mixed-Use LP. In addition, a separate subsidiary of the Operating Partnership acquired the construction indebtedness of the Atlanta Condominium Project and a related land limited liability company, effectively extinguishing the indebtedness. The net condominium assets and associated construction indebtedness were recorded by the Operating Partnership at their fair values. Subsequent to the transaction, the Atlanta Condominium Project and its results of operations were consolidated (see note 2).

For the three and six months ended June 30, 2010, the Operating Partnership s equity in earnings on the statement of operations did not reflect any equity method income or losses from its investment in the Mixed-Use LP, as the Operating Partnership had previously suspended equity method accounting in 2009 due to the recognition of prior losses in excess of its investment and commitments to the entity.

4. INDEBTEDNESS

At June 30, 2011 and December 31, 2010, the Operating Partnership s indebtedness consists of the following:

Description	Payment Terms	Interest Rate	Maturity Date		June 30, 2011	December 31, 2010
Senior Unsecured Notes	Int.	4.75% - 6.30% (1)	2011-2017	(1)	$ 385,412	$ 385,412
Unsecured Lines of Credit	N/A	LIBOR + 2.30% (2)	2014	(2)	-	-
Secured Mortgage Notes	Prin. and Int.	4.88% - 6.09%	2013-2019	(3)	646,466	647,837
Total					$ 1,031,878	$ 1,033,249

(1) Senior unsecured notes totaling approximately $9,637 bearing interest at 5.125% mature in October 2011. The remaining unsecured notes mature between 2012 and 2017.

(2) Represents stated rate.

(3) There are no scheduled maturities of secured notes in 2011. These notes mature between 2013 and 2019.

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Debt maturities

A schedule of the aggregate maturities of the Operating Partnership s indebtedness at June 30, 2011 is provided below.

Remainder of 2011	$	11,751	
2012		100,104	
2013		186,606	
2014		188,644	(1)
2015		124,205	
Thereafter		420,568	
	$	1,031,878	

(1) Includes outstanding balances on lines of credit totaling $0 at June 30, 2011.

Debt issuances and retirements

There were no issuances or retirements of debt for the six months ended June 30, 2011.

Unsecured lines of credit

At June 30, 2011, the Operating Partnership utilizes a $300,000 syndicated unsecured revolving line of credit (the Syndicated Line). The Syndicated Line was refinanced in January 2011, and the aggregate available capacity under the agreement was reduced from $400,000. The Syndicated Line has a stated interest rate of LIBOR plus 2.30% (previously LIBOR plus 0.80%) and was provided by a syndicate of eight financial institutions arranged by Wells Fargo Securities, LLC and J.P. Morgan Securities LLC. The Syndicated Line requires the payment of annual facility fees equal to 0.45% (previously 0.15%) of the aggregate loan commitment. The Syndicated Line matures in January 2014 and may be extended for an additional year at the Operating Partnership s option, subject to the satisfaction of certain conditions in the agreement. The Syndicated Line provides for the interest rate and facility fee rate to be adjusted up or down based on changes in the credit ratings on the Operating Partnership s senior unsecured debt. The rates under the Syndicated Line are based on the higher of the Operating Partnership s unsecured debt ratings in instances where the Operating Partnership has split unsecured debt ratings. The Syndicated Line also included a competitive bid option for up to 50% of the loan commitment at rates generally below the stated line rate, depending on market conditions. The credit agreement for the Syndicated Line contains customary restrictions, representations, covenants and events of default, including minimum fixed charge coverage, minimum unsecured interest coverage, minimum unsecured debt yield and maximum leverage ratios. The Syndicated Line also restricts the amount of capital the Operating Partnership can invest in specific categories of assets, such as improved land, properties under construction, condominium properties, non-multifamily properties, debt or equity securities, notes receivable and unconsolidated affiliates. The Syndicated Line prohibits the Operating Partnership from investing further capital in condominium assets, excluding its current investments in the Atlanta Condominium Project and the Austin Condominium Project, and certain mixed-use projects, as defined. At June 30, 2011, the Operating Partnership had issued letters of credit to third parties totaling $710 under this facility. In connection with the refinancing of the Syndicated Line in January 2011, the Operating Partnership paid fees and expenses of approximately $3,641.

Additionally, at June 30, 2011, the Operating Partnership had a $30,000 unsecured line of credit with Wells Fargo Bank, N.A. (the Cash Management Line), which was amended and restated in January 2011. The Cash Management Line matures in January 2014 and carries pricing and terms, including debt covenants, substantially consistent with the Syndicated Line.

Debt compliance

The Operating Partnership s Syndicated Line, Cash Management Line and senior unsecured notes contain customary restrictions, representations and events of default and require the Operating Partnership to meet certain financial covenants. Debt service and fixed charge coverage covenants require the Operating Partnership to maintain coverages of a minimum of 1.5 to 1.0, as defined in applicable debt arrangements. Additionally, the Operating Partnership s ratio of unencumbered adjusted property-level net operating income to total unsecured debt may not be less than 0.115 to 1.0 and the ratio of unencumbered adjusted property-level net operating income to unsecured interest expense may not be less than 2.0 to 1.0, as defined in the applicable debt arrangements. Leverage covenants generally require the Operating Partnership to maintain calculated covenants above/below minimum/maximum thresholds.

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The primary leverage ratios under these arrangements include total debt to total asset value (maximum of 60%), total secured debt to total asset value (maximum of 40%) and unencumbered assets to unsecured debt (minimum of 1.5 to 1.0), as defined in the applicable debt arrangements. The Operating Partnership believes it met these financial covenants at June 30, 2011.

5. EQUITY AND NONCONTROLLING INTERESTS
Company s common stock

In February 2010, the Company initiated an at-the-market common equity sales program for the sale of up to 4,000 shares of common stock. For the three months and six ended June 30, 2011, sales of common stock under this program totaled 578 and 999 shares, respectively, for net proceeds of $22,733 and $38,233, respectively. For the three months and six ended June 30, 2010, sales of common stock under this program totaled 41 shares for net proceeds of $1,121. The Company s proceeds are contributed to the Operating Partnership in exchange for a like number of common units. The Operating Partnership has and expects to use the proceeds from this program for general corporate purposes.

In December 2010, the Company s board of directors adopted a stock and unsecured note repurchase program under which the Company and the Operating Partnership may repurchase up to $200,000 of common and preferred stock and unsecured notes through December 31, 2012. The Company and the Operating Partnership repurchased preferred stock and units in 2011 under this program as discussed below.

Preferred unit repurchases

In March 2011, the Company redeemed its 7-5/8% Series B preferred stock at its redemption value of $49,571, plus accrued and unpaid dividends through the redemption date. Correspondingly, the Operating Partnership redeemed its Series B preferred units on the same date and under the same terms. In connection with the issuance of the Series B preferred units in 1997, the Operating Partnership incurred issuance costs and recorded such costs as a reduction of unitholders equity. The redemption price of the Series B preferred units exceeded the related carrying value by the associated issuance costs and expenses of $1,757. In connection with the redemption, the Operating Partnership reflected $1,757 of issuance costs and expenses as a reduction of earnings in arriving at the net loss attributable to common unitholders in 2011.

For the three and six months ended June 30, 2010, the Company and the Operating Partnership repurchased preferred stock and units with a liquidation value of approximately $1,030 and $1,962, respectively, under a Rule 10b5-1 plan.

Computation of earnings (loss) per common unit

For the three and six months ended June 30, 2011 and 2010, a reconciliation of the numerator and denominator used in the computation of basic and diluted net loss per common unit is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Net income (loss) available to common unitholders (numerator):				
Net income (loss)	$ 9,834	$ (33,753)	$ 12,847	$ (34,880)

Noncontrolling interests - consolidated real estate entities	(58)	-	(47)	(61)
Preferred unit distributions	(922)	(1,878)	(2,611)	(3,768)
Preferred unit redemption costs	-	(37)	(1,757)	(45)
Unvested restricted stock (allocation of earnings)	(29)	159	(26)	162
Net income (loss) available to common unitholders	$ 8,825	$ (35,509)	$ 8,406	$ (38,592)
Common units (denominator):				
Weighted average units outstanding - basic	50,044	48,603	49,630	48,574
Dilutive units from stock options	391	-	394	-
Weighted average units outstanding - diluted	50,435	48,603	50,024	48,574
Per-unit amount:				
Basic	$ 0.18	$ (0.73)	$ 0.17	$ (0.79)
Diluted	$ 0.17	$ (0.73)	$ 0.17	$ (0.79)

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Stock options to purchase 533 and 2,351 shares of common stock for the three months ended and 533 and 2,297 shares of common stock for the six months ended June 30, 2011 and 2010, respectively, were excluded from the computation of diluted earnings (loss) per common unit as these stock options were antidilutive.

Noncontrolling interests

In accordance with ASC Topic 810, the Operating Partnership determined that the noncontrolling interests related to the common unitholders of the Operating Partnership met the criterion to be classified and accounted for as temporary equity (reflected outside of total equity as Redeemable Common Units). At June 30, 2011, the aggregate redemption value of the noncontrolling interests in the Operating Partnership of $6,627 was in excess of its net book value of $2,962. At December 31, 2010, the aggregate redemption value of the noncontrolling interests in the Operating Partnership of $6,192 was in excess of its net book value of $3,090. The Operating Partnership further determined that the noncontrolling interests in its consolidated real estate entities met the criterion to be classified and accounted for as a component of permanent equity.

The following table summarizes the activity related to the Operating Partnership s redeemable common units for the six months ended June 30, 2011 and 2010:

	Six months ended June 30, 2011	Six months ended June 30, 2010
Redeemable common units, beginning of period	$ 6,192	$ 3,402
Comprehensive income (loss)		
Net income (loss)	29	(136)
Conversion of redeemable common units for shares	(321)	(74)
Adjustment for ownership interest of redeemable common units	225	(8)
Equity-based compensation	5	5
Distributions to common unitholders	(67)	(69)
Adjustment to redemption value of redeemable common units	564	757
Redeemable common units, end of period	$ 6,627	$ 3,877

6. FAIR VALUE MEASURES AND OTHER FINANCIAL INSTRUMENTS

From time to time, the Operating Partnership records certain assets and liabilities at fair value. Real estate assets may be stated at fair value if they become impaired in a given period and may be stated at fair value if they are held for sale and the fair value of such assets is below historical cost. Additionally, the Operating Partnership records derivative financial instruments, if any, at fair value. The Operating Partnership also uses fair value metrics to evaluate the carrying values of its real estate assets and for the disclosure of financial instruments. Fair value measurements were determined by management using available market information and appropriate valuation methodologies available to management at June 30, 2011. Considerable judgment is necessary to interpret market data and estimate fair value. Accordingly, there can be no assurance that the estimates discussed herein, using Level 2 and 3 inputs, are indicative of the amounts the Operating Partnership could realize on disposition of the real estate assets or other financial instruments. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair value amounts.

Real estate assets

The Operating Partnership periodically reviews its real estate assets, including operating assets, construction in progress, land held for future investment and for-sale condominiums, for impairment purposes using Level 3 inputs, primarily comparable sales and market data, independent appraisals and discounted cash flow models.

During the second quarter of 2010, the Austin Condominium Project began delivering and closing completed condominium units. As a result, the community was classified as held for sale for financial reporting purposes. Under the held for sale impairment evaluation

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model, the Operating Partnership wrote down the carry value of the community to its estimated fair value of $85,378 using level 3 inputs, primarily an independent valuation using a discounted cash flow model, and recorded impairment charges of $34,691 (see notes 2 and 8). In addition, in the second quarter of 2010, the Operating Partnership wrote down the carrying value of a land parcel classified as held for sale to its estimated fair value of $3,177, using level 3 inputs, and recorded an impairment charge of $400.

Financial instruments

Cash equivalents, rents and accounts receivables, accounts payable, accrued expenses and other liabilities are carried at amounts which reasonably approximate their fair values because of the short-term nature of these instruments. At June 30, 2011, the fair value of fixed rate debt was approximately $1,088,504 (carrying value of $1,031,878). There was no variable rate debt outstanding at June 30, 2011. At December 31, 2010, the fair value of fixed rate debt was approximately $1,066,695 (carrying value of $1,033,249). There was no variable rate debt outstanding at December 31, 2010. Long-term indebtedness was valued using Level 2 inputs, primarily market prices of comparable debt instruments.

In addition, the Operating Partnership has recorded a contractual license fee obligation associated with one of its condominium communities (see note 3) at fair value of $5,964 at June 30, 2011. The fair value of this contractual obligation was $5,716 at December 31, 2010. The contractual obligation was valued using level 3 inputs, primarily a discounted cash flow model.

7. SEGMENT INFORMATION
Segment description

In accordance with ASC Topic 280, Segment Reporting, the Operating Partnership presents segment information based on the way that management organizes the segments within the enterprise for making operating decisions and assessing performance. The segment information is prepared on the same basis as the internally reported information used by the Operating Partnership s chief operating decision makers to manage the business.

The Operating Partnership s chief operating decision makers focus on the Operating Partnership s primary sources of income from apartment community rental operations. Apartment community rental operations are generally broken down into segments based on the various stages in the apartment community ownership lifecycle. These segments are described below. All commercial properties and other ancillary service and support operations are combined in the line item other property segments in the accompanying segment information. The segment information presented below reflects the segment categories based on the lifecycle status of each community as of January 1, 2010.

Fully stabilized communities those apartment communities which have been stabilized (the earlier of the point at which a property reaches 95% occupancy or one year after completion of construction) for both the current and prior year.

Communities stabilized during the prior year those apartment communities which reached stabilized occupancy in 2010.

Segment performance measure

Management uses contribution to consolidated property net operating income (NOI) as the performance measure for its operating segments. The Operating Partnership uses NOI, including NOI of stabilized communities, as an operating measure. NOI is defined as rental and other property revenue from real estate operations less total property and maintenance expenses from real estate operations (excluding depreciation and amortization). The Operating Partnership believes that NOI is an important supplemental measure of operating performance for a REIT s operating real estate because it provides a measure of the core operations, rather than factoring in depreciation and amortization, financing costs and general and administrative expenses generally incurred at the corporate level. This measure is particularly useful, in the opinion of the Operating Partnership, in evaluating the performance of operating segment groupings and individual properties. Additionally, the Operating Partnership believes that NOI, as defined, is a widely accepted measure of comparative operating performance in the real estate investment community. The Operating Partnership believes that the line on the Operating Partnership s consolidated statement of operations entitled net income (loss) is the most directly comparable GAAP measure to NOI.

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Segment information

The following table reflects each segment s contribution to consolidated revenues and NOI together with a reconciliation of segment contribution to property NOI to consolidated net income for the three and six months ended June 30, 2011 and 2010. Additionally, substantially all of the Operating Partnership s assets relate to the Operating Partnership s property rental operations. Asset cost, depreciation and amortization by segment are not presented because such information at the segment level is not reported internally.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Revenues				
Fully stabilized communities	$ 64,700	$ 61,698	$ 127,938	$ 122,741
Communities stabilized during 2010	5,003	3,681	9,783	6,599
Other property segments	5,494	5,181	10,791	10,080
Other	227	271	443	554
Consolidated revenues	$ 75,424	$ 70,831	$ 148,955	$ 139,974
Contribution to Property Net Operating Income				
Fully stabilized communities	$ 39,073	$ 36,274	$ 77,024	$ 71,444
Communities stabilized during 2010	2,777	1,587	5,453	2,399
Other property segments, including corporate management expenses	141	(216)	212	(829)
Consolidated property net operating income	41,991	37,645	82,689	73,014
Interest income	516	196	608	365
Other revenues	227	271	443	554
Depreciation	(18,808)	(18,643)	(37,560)	(37,114)
Interest expense	(14,437)	(12,561)	(28,912)	(25,174)
Amortization of deferred financing costs	(721)	(653)	(1,368)	(1,486)
General and administrative	(4,246)	(3,967)	(8,362)	(8,643)
Investment and development	(296)	(678)	(774)	(1,280)
Other investment costs	(455)	(490)	(949)	(1,159)
Impairment losses	-	(35,091)	-	(35,091)
Gains on condominium sales activities, net	5,432	187	6,176	1,135
Equity in income of unconsolidated real estate entities	346	173	555	296
Other income (expense), net	285	(142)	301	(297)
Net income (loss)	$ 9,834	$ (33,753)	$ 12,847	$ (34,880)

8. IMPAIRMENT, SEVERANCE AND OTHER CHARGES

In prior years, the Operating Partnership recorded severance charges associated with the departure of certain executive officers of the Operating Partnership. Under certain of these arrangements, the Operating Partnership is required to make certain payments and provide specified benefits through 2013 and 2016. The following table summarizes the activity related to aggregate net severance charges for such executive officers for the six months ended June 30, 2011 and 2010:

	Six months ended June 30, 2011	Six months ended June 30, 2010
Accrued severance charges, beginning of period	$ 5,441	$ 7,671
Payments for period	(1,353)	(1,511)
Interest accretion	157	279
Accrued severance charges, end of period	$ 4,245	$ 6,439

For the three and six months ended June 30, 2010, the Operating Partnership recorded aggregate impairment charges of $34,691 to write-down the carrying value of its consolidated condominium project in Austin, Texas and recorded impairment charges of $400 to write-down the carrying value of a land parcel classified as held for sale to their fair values at June 30, 2010 (see notes 2 and 6).

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9. EQUITY-BASED COMPENSATION PLANS

Equity compensation plans

As the primary operating subsidiary of the Company, the Operating Partnership participates in and bears the compensation expenses associated with the Company s stock-based compensation plans. The information discussed below relating to the Company s stock-based compensation plans is also applicable for the Operating Partnership.

Incentive stock plans

Incentive stock awards are granted under the Company s 2003 Incentive Stock Plan, as amended and restated in October 2008 (the 2003 Stock Plan). Under the 2003 Stock Plan, an aggregate of 3,469 shares of common stock were reserved for issuance. Of this amount, stock grants count against the total shares available under the 2003 Stock Plan as 2.7 shares for every one share issued, while options (and stock appreciation rights (SAR) settled in shares) count against the total shares available as one share for every one share issued on the exercise of an option (or SAR). The exercise price of each option granted under the 2003 Stock Plan may not be less than the market price of the Company s common stock on the date of the option grant and all options may have a maximum life of ten years. Participants receiving restricted stock grants are generally eligible to vote such shares and receive dividends on such shares. Substantially all stock option and restricted stock grants are subject to annual vesting provisions (generally three to five years) as determined by the compensation committee overseeing the 2003 Stock Plan.

Compensation costs for stock options have been estimated on the grant date using the Black-Scholes option-pricing method. The weighted average assumptions used in the Black-Scholes option-pricing model are as follows:

	Six months ended June 30,	
	2011	**2010**
Dividend yield	2.2%	4.4%
Expected volatility	42.4%	41.6%
Risk-free interest rate	2.7%	2.8%
Expected option term (years)	6.0 years	6.0 years

The Company s assumptions were derived from the methodologies discussed herein. The expected dividend yield reflects the Company s current historical yield, which was expected to approximate the future yield. Expected volatility was based on the historical volatility of the Company s common stock. The risk-free interest rate for the expected life of the options was based on the implied yields on the U.S. Treasury yield curve. The weighted average expected option term was based on the Company s historical data for prior period stock option exercise and forfeiture activity.

Stock options

Compensation cost for stock options is amortized ratably into compensation expense over the applicable vesting periods. The Company recorded compensation expense related to stock options of $92 and $70 for the three months ended and $186 and $177 for the six months ended June 30, 2011 and 2010, respectively, under the fair value method. At June 30, 2011, there was $551 of unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted average period of 1.9 years.

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A summary of stock option activity under all plans for the six months ended June 30, 2011 and 2010 is as follows:

	Six months ended June 30,			
	2011		2010	
	Shares	Exercise Price	Shares	Exercise Price
Options outstanding, beginning of period	2,068	$ 31	2,516	$ 31
Granted	25	37	66	18
Exercised	(466)	29	(50)	12
Expired	(10)	38	(235)	38
Options outstanding, end of period (1)	1,617	31	2,297	30
Options exercisable, end of period (1)	1,464	33	2,062	32
Options vested and expected to vest, end of period (1)	1,610	31	2,286	30
Weighted average fair value of options granted during the period	$ 13.18		$ 5.08	

(1) At June 30, 2011, the aggregate intrinsic value of stock options outstanding, exercisable and vested/expected to vest was $16,848, $13,362 and $16,658, respectively. At that same date, the weighted average remaining contractual lives of stock options outstanding, exercisable and vested/expected to vest was 3.5 years, 3.0 years and 3.5 years, respectively.

Upon the exercise of stock options, the Company issues shares of common stock from treasury shares or, to the extent treasury shares are not available, from authorized common shares. The total intrinsic value of stock options exercised during the six months ended June 30, 2011 and 2010 was $4,180 and $730, respectively.

At June 30, 2011, the Company segregated its outstanding options into two ranges, based on exercise prices, as follows:

Option Ranges	Options Outstanding			Options Exercisable	
	Shares	Weighted Avg. Price	Weighted Avg. Life (Years)	Shares	Weighted Avg. Price
$12.22 - $27.98	846	$ 23	3.4	717	$ 25
$28.82 - $48.00	771	40	3.7	747	40
Total	1,617	31	3.5	1,464	33

Restricted stock

Compensation cost for restricted stock is amortized ratably into compensation expense over the applicable vesting periods. Total compensation expense related to restricted stock was $476 and $552 for the three months ended and $976 and $1,108 for the six months ended June 30, 2011 and 2010, respectively. At June 30, 2011, there was $2,824 of unrecognized compensation cost related to restricted stock. This cost is expected to be recognized over a weighted average period of 1.9 years. The total intrinsic value of restricted shares vested for the six months ended June 30, 2011 and 2010 was $65 and $38, respectively.

A summary of the activity related to the Company s restricted stock for the six months ended June 30, 2011 and 2010 is as follows:

	Six months ended June 30,			
	2011		2010	
	Shares	Exercise Price	Shares	Exercise Price
Unvested share, beginning or period	129	$ 19	132	$ 21
Granted (1)	41	37	87	18
Vested	(1)	15	(2)	16
Forfeited	-	-	-	-
Unvested shares, end of period	169	24	217	20

(1) The total value of the restricted share grants for the six months ended June 30, 2011 and 2010 was $1,532 and $1,582, respectively.

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Employee stock purchase plan

The Company maintains an Employee Stock Purchase Plan (the ESPP) approved by Company shareholders in 2005. The maximum number of shares issuable under the ESPP is 300. The purchase price of shares of common stock under the ESPP is equal to 85% of the lesser of the closing price per share of common stock on the first or last day of the trading period, as defined. The Company records the aggregate cost of the ESPP (generally the 15% discount on the share purchases) as a period expense. Total compensation expense relating to the ESPP was $30 and $31 for the three months ended and $116 and $107 for the six months ended June 30, 2011 and 2010, respectively.

10. INCOME TAXES

Income or losses of the Operating Partnership are allocated to the partners of the Operating Partnership for inclusion in their respective income tax returns. Accordingly, no provisions or benefit for income taxes has been made in the accompanying financial statements. The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the Code). In order for the Company to qualify as a REIT, it must distribute 90% of its REIT taxable income, as defined in the Code, to its unitholders and satisfy certain other organizational and operating requirements. The Operating Partnership intends to make sufficient cash distributions to the Company to enable it to meet its annual REIT distribution requirements.

In the preparation of income tax returns in federal and state jurisdictions, the Operating Partnership and its taxable REIT subsidiaries assert certain tax positions based on their understanding and interpretation of the income tax law. The taxing authorities may challenge such positions and the resolution of such matters could result in the payment and recognition of additional income tax expense. Management believes it has used reasonable judgments and conclusions in the preparation of its income tax returns. The Operating Partnership and its subsidiaries (including the Operating Partnership s taxable REIT subsidiaries (TRSs)) income tax returns are subject to examination by federal and state tax jurisdictions for years 2007 through 2009. Net income tax loss carryforwards and other tax attributes generated in years prior to 2007 are also subject to challenge in any examination of the 2007 to 2009 tax years.

As of June 30, 2011 and December 31, 2010, the Operating Partnership s TRSs had unrecognized tax benefits of approximately $797 which primarily related to uncertainty regarding the sustainability of certain deductions taken on prior year income tax returns of the TRS with respect to the amortization of certain intangible assets. The uncertainty surrounding this unrecognized tax benefit will generally be clarified in future periods as income tax loss carryforwards are utilized. To the extent these unrecognized tax benefits are ultimately recognized, they may affect the effective tax rate in a future period. The Operating Partnership s policy is to recognize interest and penalties, if any, related to unrecognized tax benefits as income tax expense. Accrued interest and penalties for the three and six months ended June 30, 2011 and 2010 and at June 30, 2011 were not material to the Operating Partnership s results of operations, cash flows or financial position.

The Operating Partnership utilizes TRSs principally to perform such non-REIT activities as asset and property management, for-sale housing (condominiums) sales and other services. These TRSs are subject to federal and state income taxes. For the three and six months ended June 30, 2011 and 2010, the TRSs recorded no net income tax expense (benefit) for federal income taxes as a result of estimated taxable losses and the inability to recognize tax benefits related to such losses due to the uncertainty surrounding their ultimate realization.

At December 31, 2010, management had established valuation allowances of approximately $60,456 against net deferred tax assets due primarily to historical losses at the TRSs in prior years and the variability of the income (loss) of these subsidiaries. The tax benefits associated with such unused valuation allowances may be recognized in future periods, if the taxable REIT subsidiaries generate sufficient taxable income to utilize such amounts or if the Operating Partnership determines that it is more likely than not that the related deferred tax assets are realizable.

A summary of the components of the TRS deferred tax assets and liabilities at December 31, 2010 is included in the footnotes to the Operating Partnership s audited financial statements included in its Form 10-K. There were no material changes to the components of deferred tax assets, deferred tax asset valuation allowances and deferred liabilities at June 30, 2011.

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11. LEGAL PROCEEDINGS, COMMITMENTS AND CONTINGENCIES

In November 2006, the Equal Rights Center (ERC) filed a lawsuit against the Company and the Operating Partnership in the United States District Court for the District of Columbia. This suit alleges various violations of the Fair Housing Act (FHA) and the Americans with Disabilities Act (ADA) at properties designed, constructed or operated by the Company and the Operating Partnership in the District of Columbia, Virginia, Colorado, Florida, Georgia, New York, North Carolina and Texas. On September 28, 2009, the Court dismissed this suit in its entirety. In granting the Company and the Operating Partnership s request to dismiss the suit, the Court held that the plaintiff lacked standing to bring the claims. On October 13, 2009, the Company and the Operating Partnership moved the Court for a finding of entitlement of an award of the Company and the Operating Partnership s costs, expenses and attorney s fees incurred in defending the action and requested that briefing to determine the amount to which the Company and the Operating Partnership are entitled be scheduled after the finding of entitlement. By order dated November 30, 2010, the Court denied the Company and the Operating Partnership s motion holding that ERC s counsel s conduct in pursuing its suit against the Company and the Operating Partnership is not sanctionable. On October 14, 2009, the ERC filed a notice of appeal of the Court s decision to dismiss the action to the United States Court of Appeals for the District of Columbia Circuit. On March 9, 2011, the Court of Appeals entered an opinion and order affirming the dismissal of the action with prejudice. The time periods for ERC to further appeal the decision have expired. Hence, the dismissal of the lawsuit is final.

In September 2010, the United States Department of Justice (the DOJ) filed a lawsuit against the Company and the Operating Partnership in the United States District Court for the Northern District of Georgia. The suit alleges various violations of the FHA and the ADA at properties designed, constructed or operated by the Company and the Operating Partnership in the District of Columbia, Virginia, Florida, Georgia, New York, North Carolina and Texas. The plaintiff seeks statutory damages and a civil penalty in unspecified amounts, as well as injunctive relief that includes retrofitting apartments and public use areas to comply with the FHA and the ADA and prohibiting construction or sale of noncompliant units or complexes. The Company and the Operating Partnership filed a motion to transfer the case to the United States District Court for the District of Columbia, where the previous ERC case had been proceeding. On October 29, 2010, the United States District Court for the Northern District of Georgia issued an opinion finding that the complaint shows that the DOJ s and ERC s claims are essentially the same, and, therefore, granted the Company and the Operating Partnership s motion and transferred the DOJ s case to the United States District Court for the District of Columbia. The DOJ s case has been assigned to the same Judge who heard the ERC case. Limited discovery is proceeding as permitted by the Court. Due to the preliminary nature of the litigation, it is not possible to predict or determine the outcome of the legal proceeding, nor is it possible to estimate the amount of loss, if any, that would be associated with an adverse decision.

The Company and the Operating Partnership are involved in various other legal proceedings incidental to their business from time to time, most of which are expected to be covered by liability or other insurance. Management of the Company and Operating Partnership believes that any resolution of pending proceedings or liability to the Company or Operating Partnership which may arise as a result of these various other legal proceedings will not have a material adverse effect on the Company or Operating Partnership s results of operations or financial position.

12. SUBSEQUENT EVENTS

The Operating Partnership evaluated the accounting and disclosure requirements for subsequent events reporting through the issuance date of the financial statements. There were no material subsequent events in this period.

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(Unaudited, in thousands, except per share or unit and apartment unit data)

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(In thousands, except apartment unit data)

Company overview

Post Properties, Inc. and its subsidiaries develop, own and manage upscale multi-family apartment communities in selected markets in the United States. As used herein, the term Company includes Post Properties, Inc. and its subsidiaries, including Post Apartment Homes, L.P. (the Operating Partnership), unless the context indicates otherwise. The Company, through its wholly-owned subsidiaries is the general partner and owns a majority interest in the Operating Partnership which, through its subsidiaries, conducts substantially all of the on-going operations of the Company. At June 30, 2011, the Company had interests in 21,431 apartment units in 57 communities, including 1,747 apartment units in five communities held in unconsolidated entities and 1,568 apartment units in five communities currently under development. The Company is also selling luxury for-sale condominium homes in two communities through a taxable REIT subsidiary. At June 30, 2011, approximately 34.7%, 22.7%, 12.9% and 10.6% (on a unit basis) of the Company s operating communities were located in the Atlanta, Georgia, Dallas, Texas, the greater Washington, D.C. and Tampa, Florida metropolitan areas, respectively.

The Company has elected to qualify and operate as a self-administrated and self-managed real estate investment trust (REIT) for federal income tax purposes. A REIT is a legal entity which holds real estate interests and is generally not subject to federal income tax on the income it distributes to its shareholders.

At June 30, 2011, the Company owned approximately 99.7% of the common limited partnership interests (Common Units) in the Operating Partnership. Common Units held by persons other than the Company represented a 0.3% common noncontrolling interest in the Operating Partnership.

Operations Overview

The following discussion provides an overview of the Company s operations, and should be read in conjunction with the more full discussion of the Company s operating results, liquidity and capital resources and risk factors reflected elsewhere in this Form 10-Q.

Property Operations

A gradually improving economy in the United States, favorable demographics and an outlook of modest new supply of multi-family units in the near term have contributed to improving apartment fundamentals in the Company s markets starting in 2010 and continuing into 2011. As a result, year-over-year same store revenues and net operating income (NOI) increased by 4.2% and 7.8%, respectively, in the first half of 2011, as compared to the first half of 2010. The Company s operating results and its outlook for the remainder of 2011 are more fully discussed in the Results of Operations and Outlook sections below. The Company s outlook for the remainder of 2011 is based on the expectation that economic and employment conditions will continue to gradually improve, and that the supply of new multi-family units will continue to be relatively modest. Notwithstanding, there continues to be significant risks in the economy and, although the job market continues its gradual recovery in most of the Company s markets, the unemployment rate continues to be higher than normal. If the economic recovery was to stall or U.S. economic conditions were to worsen, the Company s operating results would be adversely affected. Furthermore, the environment for multi-family rental development starts is improving, and over time, the Company expects that this will impact competitive supply in the markets in which it operates.

Development Activity

In 2010, the Company commenced the development of the second phase of its Post Carlyle Square apartment community in Alexandria, Virginia, planned to consist of 344 luxury apartment units with a total estimated development cost of approximately $95,000, and the development of its Post South Lamar apartment community in Austin, Texas, planned to consist of 298 apartment units and approximately 8,555 square feet of retail space with a total estimated development cost of approximately $41,700. In 2011, the Company commenced the development of the third phase of its Post Midtown Square® apartment community in Houston, Texas, planned to consist of 124 apartment units and approximately 10,864 square feet of retail space with a total estimated development cost of approximately $21,800. Also, in the second quarter of 2011, the Company commenced development of two additional apartment projects. The first project is a third phase of the Company s Post Lake® at Baldwin Park apartment community in Orlando, Florida and is planned to consist of 410 luxury apartment units with a total estimated development cost of approximately $58,600. The second project marks the Company s first development in the Raleigh, North Carolina market and is planned to consist of 392 luxury

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apartment units, and approximately 18,148 square feet of retail space, with a total estimated development cost of approximately $55,000. The square footage amounts are approximate and actual amounts may vary. The Company expects to initially fund estimated future construction expenditures primarily by utilizing available borrowing capacity under its unsecured revolving lines of credit and utilizing net proceeds from on-going condominium sales and its at-the-market common equity sales program.

In addition, the Company may commence development activities at more of its existing land sites over the next twelve to eighteen months. Management believes, however, that the timing of such development starts will depend largely on a continued favorable outlook for apartment and capital market conditions and the U.S. economy, which management believes will positively influence conditions in employment and the local real estate markets. Until such time as substantive development activities re-commence or certain land positions are sold, the Company expects that operating results will be adversely impacted by costs of carrying land held for future investment or sale. There can be no assurance that land held for investment will be developed in the future or at all. Although the Company does not believe that any impairment exists at June 30, 2011, should the Company change its expectations regarding the timing and projected undiscounted future cash flows expected from land held for future investment, or the estimated fair value of its assets, the Company could be required to recognize impairment losses in future periods.

Condominium Activity

The Company has two luxury condominium development projects which began closing sales of completed units in 2010: The Ritz-Carlton Residences, Atlanta Buckhead (the Atlanta Condominium Project), consisting of 129 units, and the Four Seasons Private Residences, Austin (the Austin Condominium Project), consisting of 148 units. The Company does not expect to further engage in the for-sale condominium business in future periods, other than with respect to completing the sell-out of units at these two projects. The Company s intention over time is to liquidate its investment in these two condominium projects and to redeploy the invested capital back into its core apartment business.

The Company s ongoing investment in for-sale condominium housing continues to expose the Company to additional risks and challenges, including potential future losses or additional impairments, which could have an adverse impact on the Company s business, results of operations and financial condition. See Item 1A, Risk Factors in the Company s Form 10-K for the year ended December 31, 2010 (the Form 10-K) for a discussion of these and other Company risk factors. Specifically, the condominium market has been adversely impacted in recent years by the overall weakness in the U.S. economy and residential housing markets, and tighter credit markets for home purchasers, which the Company believes has negatively impacted the ability of some prospective condominium buyers to qualify for mortgage financing. The Company expects that condominium market conditions will remain challenging in the near term. As discussed more fully in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, and in the notes accompanying the consolidated financial statements included in the Company s Form 10-K, the Company recorded impairment losses in prior years relating to these investments. The Company recorded a $34,691 impairment charge in 2010 at the Austin Condominium Project and, in the aggregate, recorded $89,883 of impairment charges in 2009 and 2010 at the Atlanta Condominium Project and an adjacent land site. There can be no assurance that additional impairment charges will not be recorded in subsequent periods as described further below.

As of July 29, 2011, the Company had 3 units under contract and 78 units closed at the Austin Condominium Project and had 5 units under contract and 17 units closed at the Atlanta Condominium Project. Units under contract include all units currently under contract. However, the Company has experienced contract terminations in these and other condominium projects when units become available for delivery and may experience additional terminations in connection with these projects. Accordingly, there can be no assurance that units under contract for sale will actually close.

At June 30, 2011, the Company s investment in these two condominium projects totaled $68,098 as reflected on its consolidated balance sheet.

Risk of future condominium impairment losses

The Company had an independent valuation performed of the Austin Condominium Project and the Atlanta Condominium Project as of June 30, 2011, and determined that no additional impairment existed as of that date. The assumptions used in the valuation model was based on current cash flow projections over the remaining expected selling period using a discount rate of 18%, which reflects the current status of sales, sales prices and other market factors at each of the condominium projects. There can be no assurance that the Company s cash flow projections will not change in future periods and that the estimated fair value of the Austin Condominium Project and the Atlanta Condominium Project will not change materially as a consequence, causing the Company to possibly record additional impairment charges in future periods.

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The following discussion should be read in conjunction with the selected financial data and with all of the accompanying consolidated financial statements appearing elsewhere in this report. This discussion is combined for the Company and the Operating Partnership as their results of operations and financial conditions are substantially the same except for the effect of the 0.3% weighted average common noncontrolling interest in the Operating Partnership. See the summary financial information in the section below titled, Results of Operations.

Disclosure Regarding Forward-Looking Statements

Certain statements made in this report, and other written or oral statements made by or on behalf of the Company, may constitute forward-looking statements within the meaning of the federal securities laws. In addition, the Company, or the executive officers on the Company s behalf, may from time to time make forward-looking statements in reports and other documents the Company files with the SEC or in connection with oral statements made to the press, potential investors or others. Statements regarding future events and developments and the Company s future performance, as well as management s expectations, beliefs, plans, estimates or projections relating to the future, are forward-looking statements within the meaning of these laws. Forward-looking statements include statements preceded by, followed by or that include the words believes, expects, anticipates, plans, estimates, should, or similar expressions. Examples of such statements in thi include expectations regarding economic conditions, the Company s anticipated operating results in 2011, expectations regarding future impairment charges, expectations regarding anticipated sales of for-sale condominium homes, including expectations regarding demand for for-sale housing and gains (losses) on for-sale housing sales activity, anticipated construction and development activities (including projected costs, timing and anticipated potential sources of financing of future development activities), expectations regarding cash flows from operating activities, expectations regarding rental revenues, expected costs of development, investment, interest, operating and other expenses, expectations regarding compensation cost for stock options, expectations regarding the payment of the licensing fee from proceeds of sales by the Atlanta Condominium Project, the Company s expected debt levels, expectations regard the availability of additional capital, unsecured and secured financing, the anticipated dividend level in 2011 and expectations regarding the source of funds for payment of the dividend, the Company s ability to execute its 2011 business plan and to meet short-term liquidity requirements, including capital expenditures, development and construction expenditures, land and apartment community acquisitions, dividends and distributions on its common and preferred equity and debt service requirements and long-term liquidity requirements including maturities of long-term debt and acquisition and development activities, the Company s expectations regarding asset acquisitions and sales in 2011, the Company s expectations regarding the use of joint venture arrangements to reduce market concentration in certain markets, expectations regarding the Company s at-the-market common equity program and the use of proceeds thereof, expectations regarding the DOJ matter and the outcome of other legal proceedings, and expectations regarding the Company s ability to maintain its REIT status under the Internal Revenue Code of 1986, as amended (the Code). Forward-looking statements are only predictions and are not guarantees of performance. These statements are based on beliefs and assumptions of the Company s management, which in turn are based on currently available information. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding the market for the Company s apartment communities, demand for apartments in the markets in which it operates, competitive conditions and general economic conditions. These assumptions could prove inaccurate. The forward-looking statements also involve risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. Many of these factors are beyond the Company s ability to control or predict. Such factors include, but are not limited to, the following:

- The success of the Company s business strategies described on pages 2 to 3 of the Company s Form 10-K for the year ended December 31, 2010 (the Form 10-K);
- Conditions affecting ownership of residential real estate and general conditions in the multi-family residential real estate market;
- Uncertainties associated with the Company s real estate development and construction;
- Uncertainties associated with the timing and amount of apartment community sales;
- Future local and national economic conditions, including changes in job growth, interest rates, the availability of mortgage and other financing and related factors;

Uncertainties associated with the global capital markets, including the continued availability of traditional sources of capital and liquidity and related factors;
The Company s ability to generate sufficient cash flows to make required payments associated with its debt financing;
The effects of the Company s leverage on its risk of default and debt service requirements;
The impact of a downgrade in the credit rating of the Company s securities;
The effects of a default by the Company or its subsidiaries on an obligation to repay outstanding indebtedness, including cross-defaults and cross-acceleration under other indebtedness;

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- The effects of covenants of the Company s or its subsidiaries mortgage indebtedness on operational flexibility and default risks;
- The Company s ability to maintain its current dividend level;
- Uncertainties associated with the Company s for-sale housing business, including the timing and volume of condominium sales;
- The impact of any additional charges the Company may be required to record in the future related to any impairment in the carrying value of its assets;
- The impact of competition on the Company s business, including competition for residents in the Company s apartment communities and buyers of the Company s for-sale condominium homes and development locations;
- The effect of changes in interest rates and the effectiveness of interest rate hedging contracts;
- The Company s ability to succeed in new markets;
- The costs associated with compliance with laws requiring access to the Company s properties by persons with disabilities;
- The impact of the Company s ongoing litigation with the U.S. Department of Justice (DOJ) regarding the Americans with Disabilities Act and the Fair Housing Act (including any award of compensatory or punitive damages or injunctive relief requiring the Company to retrofit apartments or public use areas or prohibiting the sale of apartment communities or condominium units) as well as the impact of other litigation;
- The effects of losses from natural catastrophes in excess of insurance coverage;
- Uncertainties associated with environmental and other regulatory matters;
- The Company s ability to control joint ventures, properties in which it has joint ownership and corporations and limited partnership in which it has partial interests;
- The Company s ability to renew leases or relet units as leases expire;
- The Company s ability to continue to qualify as a REIT under the Internal Revenue Code;
- The Operating Partnership s ability to continue to be treated as a partnership under the Internal Revenue Code;
- The effects of changes in accounting policies and other regulatory matters detailed in the Company s filings with the Securities and Exchange Commission; and
- Other factors, including the risk factors discussed in Item 1A of the Company s Form 10-K.

Management believes these forward-looking statements are reasonable; however, undue reliance should not be placed on any forward-looking statements, which are based on current expectations. Further, forward-looking statements speak only as of the date they are made, and management undertakes no obligation to update publicly any of them in light of new information or future events.

Critical accounting policies and new guidance

In the preparation of financial statements and in the determination of Company operating performance, the Company utilizes certain significant accounting policies. The Company s significant accounting policies are included in the notes to the Company s consolidated financial statements included in the Company s Form 10-K. The Company s critical accounting policies are those that require application of management s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. For a complete description of the Company s critical accounting policies, please refer to pages 31 through 33 of the Company s Form 10-K. Other than discussed below, there were no significant changes to the Company s critical accounting policies and estimates during the three and six months ended June 30, 2011. The discussion below details the Company s critical accounting policies related to asset impairments and revenue and profit recognition of for-sale condominium activities, and addresses the implementation and impact of recently issued and adopted accounting guidance with an impact on the Company, if any, for the three and six months ended June 30, 2011 or that may have an impact on future reported results.

The Company continually evaluates the recoverability of the carrying value of its real estate assets using the methodology summarized in its accounting policies (see note 1 to the consolidated financial statements). Under current accounting literature, the evaluation of the recoverability of the Company s real estate assets requires the judgment of Company management in the determination of the value of the future cash flows expected from the assets and the estimated holding period for the assets. The Company uses market capitalization rates to determine the estimated residual value of its real estate assets and, generally, takes a long-term view of the holding period of its assets unless specific facts and circumstances warrant shorter holding periods (expected sales, departures from certain geographic markets, etc.). The Company considers a real estate asset held for investment as impaired if the undiscounted, estimated future cash flows of the asset (both the annual estimated cash flow from future operations and the estimated cash flow from the asset s eventual sale) over its expected holding period are less than the asset s net book value. For real estate assets held for sale

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(none at June 30, 2011, other than condominium assets discussed below), the Company recognizes impairment losses if an asset s net book value is in excess of its estimated fair value, less costs to sell. At June 30, 2011, management believed it had applied reasonable estimates and judgments in determining the proper classification of its real estate assets and determined that no impairment existed. See note 6 to the consolidated financial statements for a further discussion of the Company s methodologies for determining the fair value of the Company s real estate assets. Should external or internal circumstances change requiring the need to shorten the holding periods or adjust the estimated future cash flows of certain of the Company s assets, the Company could be required to record impairment charges in the future.

In addition, for-sale condominium assets held for sale are evaluated for impairment using the methodology for assets held for sale (using discounted projected future cash flows). The Company currently owns two luxury condominium assets with a carrying value of $68,098 at June 30, 2011. These projects were substantially completed and began delivering and closing for-sale condominium homes during 2010. See the Operations Overview section of this Management s Discussion and Analysis of Financial Condition and Results of Operations and note 2 to the consolidated financial statements for a further discussion of the Austin Condominium Project and the Atlanta Condominium Project. As discussed in the Operations Overview above, the Company may be required to record additional impairment charges in connection with these condominium projects in future periods if the Company s projections of future discounted cash flows were to indicate in a future quarter that the carrying value of the assets is not deemed recoverable.

Under ASC Topic 360-20, Plant Property and Equipment Real Estate Sales, the Company uses the relative sales value method to allocate costs and recognize profits from condominium sales at development communities. Under the relative sales value method, estimates of aggregate project revenues and aggregate project costs are used to determine the allocation of project cost of sales and the resulting profit in each accounting period. In subsequent periods, cumulative project cost of sale allocations and the resulting profits are adjusted to reflect changes in the actual and estimated costs and revenues of each project. Unexpected increases or decreases in estimated project revenues and project costs could cause future cost of sale and profit margin amounts recognized in the financial statements to be different than the amounts recognized in prior periods. As the Company continues the sell-out of two luxury condominium communities in future periods, changes in estimates of this nature could have a significant impact on reported future results from operations.

For developed condominiums, the Company evaluated the factors and guidance specified in ASC Topic 360-20 to determine the appropriate method of accounting for revenue recognition for its two luxury condominium projects (either the Percentage of Completion Method or the Deposit Method). The factors used to determine the appropriate method are a determination of whether: the purchaser is legally committed to closing in the real estate contract; the construction of the project is beyond a preliminary phase; sufficient units have been contracted to ensure the project will not revert to a rental project; the aggregate project sale proceeds and costs can be reasonably estimated; and the buyer has made an adequate initial and continuing cash investment under the contract in accordance with ASC Topic 360-20. Based on these factors, the Company determined that revenue recognition at these development communities would be recognized under the Deposit Method, similar to the revenue recognition policy for condominium conversion projects in prior years. This conclusion was based upon the determination that the initial and continuing cash investments received did not meet the requirements of ASC Topic 360-20, the inability to reasonably estimate the project sales proceeds, as well as other factors. Under the Deposit Method, condominium revenues are recognized upon the closing of each sale transaction.

Results of operations

The following discussion of results of operations should be read in conjunction with the consolidated statements of operations, the accompanying selected financial data and the community operations/segment performance information included below.

The Company s revenues and earnings from continuing operations are generated primarily from the operation of its apartment communities. For purposes of evaluating comparative operating performance, the Company categorizes its operating apartment communities based on the period each community reaches stabilized occupancy. The Company generally considers a community to have achieved stabilized occupancy on the earlier to occur of (1) attainment of 95% physical occupancy on the first day of any month or (2) one year after completion of construction.

For the three and six months ended June 30, 2011, the Company s portfolio of operating apartment communities, excluding five communities held in unconsolidated entities, consisted of the following: (1) 46 communities that were completed and stabilized for all of the current and prior year and (2) four communities that achieved stabilization during 2010. There were no apartment communities classified as held for sale in discontinued operations at June 30, 2011.

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The Company has adopted an accounting policy related to communities in the lease-up stage whereby substantially all operating expenses (including pre-opening marketing and management and leasing personnel expenses) are expensed as incurred. During the lease-up phase, the sum of interest expense on completed units and other operating expenses (including pre-opening marketing and management and leasing personnel expenses) will initially exceed rental revenues, resulting in a lease-up deficit, which continues until such time as rental revenues exceed such expenses. The lease-up deficits were $0 and $1,682 for the three months and $0 and $4,230 for the six months ended June 30, 2011 and 2010, respectively.

In order to evaluate the operating performance of its communities for the comparative years listed below, the Company has presented financial information which summarizes the rental and other revenues, property operating and maintenance expenses (excluding depreciation and amortization) and net operating income on a comparative basis for all of its operating communities and for its stabilized operating communities. Net operating income is a supplemental non-GAAP financial measure. The Company believes that the line on the Company s consolidated statement of operations entitled net income (loss) is the most directly comparable GAAP measure to net operating income. Net operating income is reconciled to GAAP net income (loss) in the financial information accompanying the tables. The Company believes that net operating income is an important supplemental measure of operating performance for a REIT s operating real estate because it provides a measure of the core operations, rather than factoring in depreciation and amortization, financing costs and general and administrative expenses. This measure is particularly useful, in the opinion of the Company, in evaluating the performance of geographic operations, operating segment groupings and individual properties. Additionally, the Company believes that net operating income, as defined, is a widely accepted measure of comparative operating performance in the real estate investment community.

All operating communities

The operating performance and capital expenditures for all of the Company s apartment communities and other commercial properties summarized by segment for the three and six months ended June 30, 2011 and 2010 was as follows:

	Three months ended June 30,			Six months ended June 30,		
	2011	**2010**	**% Change**	**2011**	**2010**	**% Change**
Rental and other property revenues						
Fully stabilized communities (1)	$ 64,700	$ 61,698	4.9%	$ 127,938	$ 122,741	4.2%
Communities stabilized during 2010 (2)	5,003	3,681	35.9%	9,783	6,599	48.2%
Other property segments (3)	5,494	5,181	6.0%	10,791	10,080	7.1%
	75,197	70,560	6.6%	148,512	139,420	6.5%
Property operating and maintenance expenses (excluding depreciation and amortization)						
Fully stabilized communities (1)	25,627	25,424	0.8%	50,914	51,297	(0.7)%
Communities stabilized during 2010 (2)	2,226	2,094	6.3%	4,330	4,200	3.1%
Other property segments, including corporate management expenses (4)	5,353	5,397	(0.8)%	10,579	10,909	(3.0)%
	33,206	32,915	0.9%	65,823	66,406	(0.9)%

Property net operating income (5)	$	41,991	$	37,645	11.5%	$	82,689	$	73,014	13.3%
Capital expenditures (6)										
Annually recurring:										
Carpet	$	779	$	748	4.1%	$	1,423	$	1,353	5.2%
Other		3,614		2,643	36.7%		5,098		4,616	10.4%
Total	$	4,393	$	3,391	29.5%	$	6,521	$	5,969	9.2%
Periodically recurring	$	2,275	$	6,485	(64.9)%	$	3,568	$	11,931	(70.1)%
Average apartment units in service		18,116		18,116	0.0%		18,116		18,116	0.0%

(1) Communities which reached stabilization prior to January 1, 2010.
(2) Communities which reached stabilization in 2010.

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(3) Other property segment revenues include revenues from commercial properties, revenues from furnished apartment rentals above the unfurnished rental rates and any property revenue not directly related to property operations. Other property segment revenues exclude other corporate revenues of $227 and $271 for the three months and $443 and $554 for the six months ended June 30, 2011 and 2010, respectively.

(4) Other expenses include expenses associated with commercial properties, furnished apartment rentals and corporate property management expenses. Corporate property management expenses were $2,713 and $2,497 for the three months and $5,278 and $4,954 for the six months ended June 30, 2011 and 2010, respectively.

(5) A reconciliation of property net operating income to GAAP net income (loss) is detailed below.

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Fully stabilized community NOI	$ 39,073	$ 36,274	$ 77,024	$ 71,444
Property NOI from other operating segments	2,918	1,371	5,665	1,570
Consolidated property NOI	41,991	37,645	82,689	73,014
Add (subtract):				
Interest income	516	196	608	365
Other revenues	227	271	443	554
Depreciation	(18,808)	(18,643)	(37,560)	(37,114)
Interest expense	(14,437)	(12,561)	(28,912)	(25,174)
Amortization of deferred financing costs	(721)	(653)	(1,368)	(1,486)
General and administrative	(4,246)	(3,967)	(8,362)	(8,643)
Investment and development	(296)	(678)	(774)	(1,280)
Other investment costs	(455)	(490)	(949)	(1,159)
Impairment losses	-	(35,091)	-	(35,091)
Gains on condominium sales activities, net	5,432	187	6,176	1,135
Equity in income of unconsolidated real estate entities, net	346	173	555	296
Other income (expense), net	285	(142)	301	(297)
Net income (loss)	$ 9,834	$ (33,753)	$ 12,847	$ (34,880)

(6) In addition to those expenses which relate to property operations, the Company incurs annually recurring and periodically recurring expenditures relating to acquiring new assets, materially enhancing the value of an existing asset, or substantially extending the useful life of an existing asset, all of which are capitalized. Recurring capital expenditures are those that are generally expected to be incurred on an annual basis. Periodically recurring capital expenditures are those that generally occur less frequently than on an annual basis.

Fully stabilized communities

The Company defines fully stabilized communities as those which have reached stabilization prior to the beginning of the previous year. For the 2011 to 2010 comparison, fully stabilized communities are defined as those communities which reached stabilization prior to January 1, 2010. This portfolio consisted of 46 communities with 16,688 units, including 13 communities with 5,407 units (32.4%) located in Atlanta, Georgia, 12 communities with 3,797 units (22.8%) located in Dallas, Texas, 5 communities with 1,905 units (11.4%) located in the greater Washington D.C. metropolitan area, 4 communities with 2,111 units (12.6%) located in Tampa, Florida, 4 communities with 1,388 units (8.3%) located in Charlotte, North Carolina and 8 communities with 2,080 units (12.5%) located in other markets. The operating performance of these communities was as follows:

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FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Unaudited, in thousands, except per share or unit and apartment unit data)

	Three months ended June 30,			Six months ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Rental and other revenues	$ 64,700	$ 61,698	4.9%	$ 127,938	$ 122,741	4.2%
Property operating and maintenance expenses (excluding depreciation and amortization)	25,627	25,424	0.8%	50,914	51,297	(0.7)%
Same store net operating income (1)	$ 39,073	$ 36,274	7.7%	$ 77,024	$ 71,444	7.8%
Capital expenditures (2)						
Annually recurring:						
Carpet	$ 779	$ 748	4.1%	$ 1,423	$ 1,353	5.2%
Other	3,436	2,503	37.3%	4,800	4,435	8.2%
Total annually recurring	4,215	3,251	29.7%	6,223	5,788	7.5%
Periodically recurring	1,960	6,292	(68.8)%	2,845	11,363	(75.0)%
Total capital expenditures **(A)**	$ 6,175	$ 9,543	(35.3)%	$ 9,068	$ 17,151	(47.1)%
Total capital expenditures per unit **(A ÷ 16,688 units)**	$ 370	$ 572	(35.3)%	$ 543	$ 1,028	(47.2)%
Average economic occupancy (3)	95.5%	95.1%	0.4%	95.4%	95.0%	0.4%
Average monthly rental rate per unit (4)	$ 1,260	$ 1,217	3.5%	$ 1,251	$ 1,216	2.9%

(1) Net operating income of stabilized communities is a supplemental non-GAAP financial measure. See page 43 for a reconciliation of net operating income for stabilized communities to GAAP net income.

(2) A reconciliation of these segment components of property capital expenditures to total annually recurring and periodically recurring and total capital expenditures as presented in the consolidated statements of cash flows prepared under GAAP is detailed below.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Annually recurring capital expenditures by operating segment				
Fully stabilized	$ 4,215	$ 3,251	$ 6,223	$ 5,788
Communities stabilized during 2010	85	28	107	46
Other segments	93	112	191	135
Total annually recurring capital expenditures	$ 4,393	$ 3,391	$ 6,521	$ 5,969

Periodically recurring capital expenditures by operating segment				
Fully stabilized	$ 1,960	$ 6,292	$ 2,845	$ 11,363
Communities stabilized during 2010	32	-	64	36
Other segments	283	193	659	532
Total periodically recurring capital expenditures	$ 2,275	$ 6,485	$ 3,568	$ 11,931
Total revenue generating capital expenditures	$ 585	$ 20	$ 723	$ 52
Total property capital expenditures per statements of cash flows	$ 7,253	$ 9,896	$ 10,812	$ 17,952

The Company uses same store annually recurring and periodically recurring capital expenditures as cash flow measures. Same store annually recurring and periodically recurring capital expenditures are supplemental non-GAAP financial measures. The Company believes that same store annually recurring and periodically recurring capital expenditures are important indicators of the costs incurred by the Company in maintaining same store communities. The corresponding GAAP measures include information with respect to the Company s other operating segments consisting of communities stabilized in the prior year, and commercial properties in addition to same store information. Therefore, the Company believes that its presentation of same store annually recurring and periodically recurring capital expenditures is necessary to demonstrate same store replacement costs over time. The Company believes that the most directly comparable GAAP measure to same store annually recurring and periodically recurring capital expenditures is the line on the Company s consolidated statements of cash flows entitled property capital expenditures.

(3) Average economic occupancy is defined as gross potential rent less vacancy losses, model expenses and bad debt expenses divided by gross potential rent for the period, expressed as a percentage. Gross potential rent is defined as the sum of the gross actual rental rates for leased units and the anticipated rental rates for unoccupied units. The calculation of average economic occupancy does not include a deduction for net concessions and employee discounts. Average economic occupancy, including these amounts, would have been 94.7% and 93.7% for the three months and 94.5% and 93.6% for the six months ended June 30, 2011 and 2010, respectively. For the three months ended June 30, 2011 and 2010, net concessions were $352 and $657, respectively, and employee discounts were $181 and $184, respectively. For the six months ended June 30, 2011 and 2010, net concessions were $736 and $1,355, respectively, and employee discounts were $365 and $366, respectively.

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(4) Average monthly rental rate is defined as the average of the gross actual rental rates for leased units and the average of the anticipated rental rates for unoccupied units, divided by total units.

Comparison of three months ended June 30, 2011 to three months ended June 30, 2010

The Operating Partnership reported net income available to common unitholders of $8,854 for the three months ended June 30, 2011 compared to a net loss attributable to common unitholders of $35,668 for the three months ended June 30, 2010. The Company reported net income available to common shareholders of $8,824 for the three months ended June 30, 2011 compared to a net loss attributable to common shareholders of $35,543 for the three months ended June 30, 2010. As discussed below, the additional income between periods primarily reflects increased gains on condominium sales in 2011, the impact of asset impairment charges in 2010 and increased net operating income from fully stabilized communities as discussed below.

Rental and other revenues from property operations increased $4,637 or 6.6% from 2010 to 2011 primarily due to increased revenues from the Company s fully stabilized communities of $3,002 or 4.9% and increased revenues of $1,322 or 35.9% from communities that achieved full stabilization in 2010. The revenue increase from communities that achieved full stabilization in 2010 reflects four communities that were fully stabilized in 2011 compared to the communities being in lease up in 2010. The revenue increase from fully stabilized communities is discussed more fully below.

Property operating and maintenance expenses (exclusive of depreciation and amortization) increased $291 or 0.9% from 2010 to 2011 primarily due to increases from fully stabilized communities of $203 or 0.8% and increases from communities that achieved full stabilization in 2010 of $132 or 6.3%. The expense increase from fully stabilized communities is discussed below. The expense increase from communities that achieved full stabilization in 2010 is primarily due to the timing of expenses as the communities achieved stabilized occupancies in mid to late 2010.

For the three months ended June 30, 2011 and 2010, gains on sales of real estate assets from condominium sales activities in continuing operations were $5,432 and $187, respectively. The increase in aggregate condominium gains between periods primarily reflects the sales of 18 units at the Company s two luxury condominium communities in 2011 compared to sales of 8 units at the Company s luxury condominium communities in 2010 as well as the impact of favorable changes to profit margins in 2011 at the Company s Austin Condominium Project. Improved profit margins resulted from revised estimates of the timing and amount of estimated project revenues and costs as the sell-out process is approximately one-half complete as of June 30, 2011. Additionally, gains increased in 2011 due to closings at the Company s Atlanta Condominium Project, as closings commenced at this project in the fourth quarter of 2010. See the Operations Overview and Outlook sections for a discussion of expected condominium sale closings at the Company s two luxury condominium communities for the remainder of 2011.

Depreciation expense increased $165 or 0.9% from 2010 to 2011, primarily due to increased depreciation of $37 related to communities stabilized in 2010 as apartment units were placed in service in 2010 and increased depreciation of $138 related to the retail component of properties that were placed in service and partially leased up in 2010 and into 2011.

General and administrative expenses increased $279, or 7.0%, from 2010 to 2011 primarily as a result of increased legal and professional fee expenses in 2011 compared to 2010.

Investment and development expenses decreased $382 or 56.3% from 2010 and 2011. In 2011, the capitalization of development personnel to development projects increased by $583 as the Company commenced the development of five apartment communities in late 2010 and in the first half of 2011. The increased development capitalization was offset somewhat by increased personnel and other costs of $201. As a result of continued development starts, the Company expects net investment and development expenses to be somewhat lower for the full year of 2011, compared to 2010, as a result of expected increases in amounts capitalized to development activities.

Other investment costs decreased $35 or 7.1% from 2010 and 2011. Other investment costs primarily include land carry expenses, such as property taxes and assessments. The decrease in 2011 primarily reflects lower carry expenses as such costs were capitalized to communities placed under development in late 2010 and in 2011.

Impairment losses in 2010 included non-cash impairment charges of $34,691 associated with the Company s condominium community in Austin, Texas and $400 associated with a land parcel in Tampa, Florida. The $400 impairment charge reflected the write-down of the land parcel to fair value upon its classification as held for sale in the second quarter of 2010. See the Operations Overview section above for a further discussion of the condominium non-cash impairment charges.

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Interest expense increased $1,876 or 14.9% from 2010 to 2011 primarily due to decreased interest capitalization in 2011. Decreased interest capitalization on the Company s development projects of $1,926 primarily related to reduced interest capitalization on the Company s two luxury condominium communities that were completed in 2010, offset somewhat by increased interest capitalization on five apartment development communities commenced in late 2010 and 2011. The Company expects interest expense for the full year of 2011 to be higher than in 2010 due to the cessation of interest capitalization on the condominium projects discussed above as they delivered completed units in 2010, offset somewhat by increased interest capitalization on apartments under development and construction in 2011.

Equity in income of unconsolidated real estate entities increased $173 or 100.0% from 2010 to 2011. This increase was due to increased earnings at unconsolidated apartment entities in 2011 as a result of improved rental market conditions in 2011.

For the three months ended June 30, 2011 and 2010, other income (expense) included estimated state franchise taxes. In 2011, other income (expense) also included a gain of $428 from the sale of a technology investment.

Annually recurring and periodically recurring capital expenditures decreased $3,208 or 32.5% from 2010 to 2011. The decrease in periodically recurring capital expenditures of $4,210 primarily reflects decreased costs associated with the Company s exterior water remediation program at several communities that was completed in 2010, offset by parking deck structural improvements at one community and water remediation improvements at a second community. The increase in annually recurring capital expenditures of $1,002 primarily reflected siding and roofing work at one community as well as the timing of other expenditures between periods.

Fully stabilized communities

Rental and other revenues increased $3,002 or 4.9% from 2010 to 2011. This increase resulted from a 3.5% increase in the average monthly rental rate per apartment unit and from a 0.4% increase in average economic occupancy between periods. The increase in average rental rates resulted in a revenue increase of approximately $2,122 between periods. Average economic occupancy increased from 95.1% in 2010 to 95.5% in 2011. The occupancy increase between periods resulted in lower vacancy losses of $153 in 2011. The remaining increase in rental and other property revenues of $727 was primarily due to increased net leasing fees, somewhat higher utility reimbursements and lower net concessions. Average occupancy levels were slightly higher between years due to improved rental market conditions in 2011. The Company expects that rental revenues will increase moderately on a year over year basis in 2011, continuing a trend that began in late 2010. See the Outlook section below for an additional discussion of trends for 2011.

Property operating and maintenance expenses (exclusive of depreciation and amortization) increased $203 or 0.8% from 2010 to 2011. This increase was primarily due to increased maintenance expenses of $543 or 14.1% and increased utility expenses of $381 or 11.6%. These increases were offset by decreased ground rent expenses of $371 or 55.2%, decreased property tax expenses of $231 or 2.6% and decreased insurance expenses of $166 or 16.5%. The increase in maintenance expenses primarily reflects higher exterior painting, turnover and repair expenses resulting from the timing of expenses between years. Utility expenses increased due to higher water and sewer charges in certain markets as well as the timing of the settlement of expense billing disputes in certain markets. Additionally, electric costs increased between years due generally to somewhat higher rates and generally warmer conditions in most markets in 2011. The decrease in ground rent expenses reflects the termination of the ground lease (through the acquisition of the underlying land) at one of the Company s Washington D.C. communities in the fourth quarter of 2010. Property tax expenses decreased due primarily due to prior year tax settlements reflected in 2011. The decrease in insurance expenses primarily reflects savings associated with favorable claims experience related to the Company s commercial property coverages between years.

Comparison of six months ended June 30, 2011 to six months ended June 30, 2010

The Operating Partnership reported net income available to common unitholders of $8,432 for the six months ended June 30, 2011 compared to a net loss attributable to common unitholders of $38,754 for the six months ended June 30, 2010. The Company reported net income available to common shareholders of $8,403 for the six months ended June 30, 2011 compared to a net loss attributable to common shareholders of $38,618 for the six months ended June 30, 2010. As discussed below, the additional income between periods primarily reflects gains on condominium sales in 2011, the impact of asset impairment charges in 2010, additional net operating income from lease-up communities between periods and increased net operating income from fully stabilized communities as discussed below, offset somewhat by increased interest expense and preferred stock redemption costs.

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Rental and other revenues from property operations increased $9,092 or 6.5% from 2010 to 2011 primarily due to increased revenues from the Company s fully stabilized communities of $5,197 or 4.2% and increased revenues of $3,184 or 48.2% from communities that achieved full stabilization in 2010. The revenue increase from communities that achieved full stabilization in 2010 reflects four communities that were fully stabilized in 2011 compared to the communities being in lease up in 2010. The revenue increase from fully stabilized communities is discussed more fully below. The remaining revenue increase reflects increased revenues from commercial properties of $1,191 due to increased occupancies in 2011, offset somewhat by decreased revenues of $480 from the Company s furnished apartment rental business due to somewhat slower leasing activity between years.

Property operating and maintenance expenses (exclusive of depreciation and amortization) decreased $583 or 0.9% from 2010 to 2011 primarily due to decreases from fully stabilized communities of $383 or 0.7% and decreases in other segment expense, including corporate property management expenses, of $330 or 3.0%. The expense decrease from fully stabilized communities is discussed below. The expense decrease from other property segments reflects decreased expenses of $587 from the Company s furnished apartment rental business due to somewhat slower leasing activity between years.

For the six months ended June 30, 2011 and 2010, gains on sales of real estate assets from condominium sales activities in continuing operations were $6,176 and $1,135, respectively. The increase in aggregate condominium gains between periods primarily reflects the sales of 30 units at the Company s two luxury condominium communities in 2011 compared to sales of 8 units at the Company s two luxury condominium communities in 2010 as well as the impact of favorable changes to profit margins in 2011 at the Company s Austin Condominium Project. Improved profit margins resulted from revised estimates of the timing and amount of estimated project revenues and costs as the sell-out process is approximately one-half complete as of June 30, 2011. Additionally, gains increased in 2011 due to closings at the Company s Atlanta Condominium Project, as closings commenced at this project in the fourth quarter of 2010. Condominium gains in 2010 also included net gains of $1,132 relating to the sell-out of the final condominium units at two condominium conversion communities. See the Operations Overview and Outlook sections for a discussion of expected condominium sale closings at the Company s two luxury condominium communities for the remainder of 2011.

Depreciation expense increased $446 or 1.2% from 2010 to 2011, primarily due to increased depreciation of $174 related to communities stabilized in 2010 as apartment units were placed in service in 2010 and increased depreciation of $275 related to the retail component of properties that were placed in service and partially leased up in 2010 and into 2011.

General and administrative expenses decreased $281, or 3.3%, from 2010 to 2011 as a result of $424 of decreased legal and other professional fee expenses in 2011 primarily related to decreased legal expenses in 2011 compared to 2010, associated with the Company s ground lease and related land acquisition rights at one of the Company s Washington, D.C. area communities, partially offset by increased legal and other professional fees in 2011 and the general timing of other professional fees between years. The overall decrease in legal and other professional fees was partially offset by increased net personnel costs and expenses of $330 resulting from modest increases in compensation and targeted incentive compensation accruals in 2011.

Investment and development expenses decreased $506 or 39.5% from 2010 and 2011. In 2011, the capitalization of development personnel to development projects increased by $812 as the Company commenced the development of five apartment communities in late 2010 and in the first half of 2011. The increased development capitalization was offset somewhat by increased personnel and other costs of $306. As a result of continued development starts, the Company expects net investment and development expenses to be somewhat lower for the full year of 2011, compared to 2010, as a result of expected increases in amounts capitalized to development activities.

Other investment costs decreased $210 or 18.1% from 2010 and 2011. Other investment costs primarily include land carry expenses, such as property taxes and assessments. The decrease in 2011 primarily reflects lower carry expenses as such costs were capitalized to communities placed under development in late 2010 and in 2011, as well as prior year tax settlements of $117 reflected in the first half of 2011.

Impairment losses in 2010 included non-cash impairment charges of $34,691 associated with the Company s condominium community in Austin, Texas and $400 associated with a land parcel in Tampa, Florida. The $400 impairment charge reflected the write-down of the land parcel to fair value upon its classification as held for sale in the second quarter of 2010. See the Operations Overview section above for a further discussion of the condominium non-cash impairment charges.

Interest expense increased $3,738 or 14.8% from 2010 to 2011 primarily due to decreased interest capitalization in 2011. Decreased interest capitalization on the Company s development projects of $3,888 primarily related to reduced interest capitalization on the

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Company s two luxury condominium communities that were completed in 2010. The Company expects interest expense for the full year of 2011 to be higher than in 2010 due to the cessation of interest capitalization on the condominium projects discussed above as they delivered completed units in 2010, offset somewhat by increased interest capitalization on apartments under development and construction in 2011.

Equity in income of unconsolidated real estate entities increased $259 or 87.5% from 2010 to 2011. This increase was due to increased earnings at unconsolidated apartment entities in 2011 as a result of improved rental market conditions in 2011.

For the six months ended June 30, 2011 and 2010, other income (expense) included estimated state franchise taxes. For 2011, other income (expense) also included income of $150 related to the settlement of a legal claim related to work performed at one of the Company s apartment communities and a gain of $428 from the sale of a technology investment.

Annually recurring and periodically recurring capital expenditures decreased $7,811 or 43.6% from 2010 to 2011. The decrease in periodically recurring capital expenditures of $8,363 primarily reflects decreased costs associated with the Company s exterior water remediation program at several communities that was completed in 2010, offset by increases at three communities related to structural parking deck improvements, window replacements and water remediation improvements. The increase in annually recurring capital expenditures of $552 reflected siding and roofing work at one community as well as the timing of decreased pool, landscape, fire systems, activity center and other expenditures in 2011.

Fully stabilized communities

Rental and other revenues increased $5,197 or 4.2% from 2010 to 2011. This increase resulted from a 2.9% increase in the average monthly rental rate per apartment unit and from a 0.4% increase in average economic occupancy between periods. The increase in average rental rates resulted in a revenue increase of approximately $3,480 between periods. Average economic occupancy increased from 95.0% in 2010 to 95.4% in 2011. The occupancy increase between periods resulted in lower vacancy losses of $251 in 2011. The remaining increase in rental and other property revenues of $1,466 was primarily due to increased net leasing fees, somewhat higher utility reimbursements and lower net concessions. Average occupancy levels were slightly higher between years due to improved rental market conditions in 2011. The Company expects that rental revenues will increase moderately on a year over year basis in 2011, continuing a trend that began in late 2010. See the Outlook section below for an additional discussion of trends for 2011.

Property operating and maintenance expenses (exclusive of depreciation and amortization) decreased $383 or 0.7% from 2010 to 2011. This decrease was primarily due to decreased ground rent expenses of $741 or 55.3%, decreased property tax expenses of $444 or 2.5% and decreased insurance expenses of $281 or 13.3%. These decreases were partially offset by higher utility expenses of $680 or 9.8% and increased maintenance expenses of $209 or 2.7%. The decrease in ground rent expenses reflects the termination of the ground lease (through the acquisition of the underlying land) at one of the Company s Washington D.C. communities in the fourth quarter of 2010. Property tax expenses decreased due primarily due to prior year tax settlements reflected in 2011. The decrease in insurance primarily reflects savings associated with favorable claims experience associated with the Company s commercial property coverages between years. Utility expenses increased due to higher water and sewer charges in certain markets primarily due to higher rates as well as the timing of the settlement of expense billing disputes in certain markets. Maintenance expenses increased due primarily to higher exterior painting, turnover and repair expenses resulting from the timing of the expenses between years.

Outlook

The outlook and assumptions presented below are forward-looking and are based on the Company s future view of apartment and condominium markets and of general economic conditions, as well as other risks outlined above under the caption Disclosure Regarding Forward-Looking Statements. There can be no assurance that the Company s actual results will not differ materially from the outlook and assumptions set forth below. The Company assumes no obligation to update this outlook in the future.

While the U.S. economy has begun to recover, it is in its early stages, and the recovery in employment to date has been modest. The Company s outlook for the remainder of 2011 is based on the expectation that economic and employment conditions will continue to improve during the year. If the economic recovery were to stall or U.S. economic conditions were to worsen, the Company s operating results would be adversely affected. The supply of new apartment units is also anticipated to remain relatively low in 2011, which coupled with improving multi-family housing demand in the Company s markets, supports expectations of continued improvement in the multi-family rental markets in 2011.

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Rental and other revenues from fully stabilized communities are expected to increase moderately in 2011, compared to 2010, driven primarily by new and renewed leases being completed at moderately higher market rental rates as the Company seeks to maintain occupancy levels relatively consistent with 2010. Operating expenses of fully stabilized communities are expected to increase moderately in 2011. The Company expects increases in property tax, personnel and utility expenses to be somewhat offset by reduced ground lease expenses due to the acquisition of the underlying land and the termination of a ground leases at a Washington D.C. community in late 2010. As a result, management expects fully stabilized community net operating income to increase moderately in 2011, which is expected to positively impact the Company s results of operations. Management expects net operating income from communities stabilized in 2010 will also increase in 2011, as the communities are stabilized for all of 2011 compared to their lease-up throughout 2010.

Management expects interest expense in 2011 to be moderately higher than in 2010 due generally to decreased interest capitalization in 2011, compared to 2010, resulting from the completion of apartment projects under development in early 2010 and the completion of two luxury condominium development projects in 2010, offset somewhat by interest capitalization to new construction starts in the latter half of 2010 and in 2011.

Management also expects general and administrative, property management and investment and development expenses to be relatively flat, net of amounts capitalized to development projects, due in part to lower expected legal expenses and increased capitalization of personnel and associated costs to apartment community developments in 2011.

The Company does not currently expect to sell any apartment communities in 2011. The Company, through a taxable REIT subsidiary, expects to continue closing unit sales at its Austin Condominium Project and at its Atlanta Condominium Project in 2011. The amount of revenue and profits or losses recognized from condominium sales will depend on the timing, volume and pricing of actual closings in 2011. There can be no assurance that any sales will close or that any profits will be realized. The Company may record net losses from condominium activities in future quarterly periods if gross profits from condominium sales are not sufficient to cover the expensed administrative, marketing, sales and other carrying costs (principally property taxes, homeowners association dues and utilities) of the communities. Furthermore, if the sales mix, sales velocity and unit pricing varies significantly from the valuation models for each of the condominium projects, it could cause condominium profits to differ materially from the Company s expectations, and further, could cause the Company to re-evaluate its valuation models and assumptions which could result in additional impairment losses in future periods (see Operations Overview above where discussed further).

The Company currently expects to utilize available borrowing capacity under its unsecured revolving lines of credit as well as net proceeds from on-going condominium sales and its at-the-market common equity program to fund future estimated construction expenditures. As a result of expected additional at-the-market common equity sales, the Company expects weighted average diluted shares to increase in 2011, compared to 2010. Sales under the at-the-market common equity program will depend upon a variety of factors, including, among others, market conditions and the trading price of the Company s common stock relative to other sources of capital.

Liquidity and capital resources

The discussion in this Liquidity and Capital Resources section is the same for the Company and the Operating Partnership, except that all indebtedness described herein has been incurred by the Operating Partnership.

The Company s net cash provided by operating activities increased from $40,319 for the six months ended June 30, 2010 to $48,429 for the six months ended June 30, 2011 primarily due to increased property net operating income in 2011 from communities stabilized in 2010 as well as from increased property net operating income in 2011 from fully stabilized communities. For the full year 2011, the Company expects cash flows from operating activities to increase primarily driven by the anticipated improved performance of the Company s fully stabilized communities resulting from improving conditions in multifamily markets and increased net operating income from a full year of stabilized operations from communities stabilized in 2010, offset somewhat by higher interest expenses.

Net cash flows used in investing activities decreased from $35,872 for the six months ended June 30, 2010 to $16,070 for the six months ended June 30, 2011 primarily due to increased proceeds from sales of condominiums and reduced property capital expenditures primarily related to the Company s exterior remediation program which was completed in mid-2010. For the remainder of 2011, the Company expects to continue to incur development expenditures on current development projects. The Company continues to sell condominiums in 2011, but does not currently expect to sell any apartment communities in 2011.

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Net cash flows used in financing activities increased from $9,761 for the six months ended June 30, 2010 to $25,493 for the six months ended June 30, 2011 primarily due to the redemption of the Company s Series B preferred stock, offset somewhat by proceeds from the sale of common stock under the Company s at-the-market equity program and from employee stock purchase and stock option plans. For the remainder of 2011, the Company expects that its outstanding debt may increase modestly, depending on the level of proceeds from the Company s at-the-market common equity program (discussed below), principally to fund the expected development expenditures discussed above.

Since 1993, the Company has elected to be taxed as a real estate investment trust (REIT) under the Internal Revenue Code of 1986, as amended. Management currently intends to continue operating the Company as a REIT in 2011. As a REIT, the Company is subject to a number of organizational and operating requirements, including a requirement to distribute 90% of its adjusted taxable income to its shareholders. As a REIT, the Company generally will not be subject to federal income taxes on the taxable income it distributes to its shareholders.

Generally, the Company s objective is to meet its short-term liquidity requirement of funding the payment of its current level of quarterly preferred and common stock dividends to shareholders through its net cash flows provided by operating activities, less its annual recurring and periodically recurring property and corporate capital expenditures. These operating capital expenditures are necessary to maintain the earnings capacity of the Company s operating assets over time.

On August 1, 2011, the Company announced that its board of directors had approved a $0.02 per share, or 10.0%, increase in its quarterly dividend payable on October 14, 2011, to all common shareholders of record as of September 30, 2011. As a result, the Company s current quarterly dividend payment to common shareholders is $0.22 per share. To the extent the Company continues to pay dividends at this dividend rate, the Company expects to use net cash flows from operations reduced by annual operating capital expenditures to fund the dividend payments to common and preferred shareholders. If its net cash flows from operations are not sufficient to meet its anticipated dividend payment rate, the Company expects to use line of credit borrowings to fund dividend payments. For the six months ended June 30, 2011, the Company s net cash flow from operations, reduced by annual operating capital expenditures, was sufficient to fully fund the Company s dividend payments to common and preferred shareholders. The Company s board of directors reviews the dividend quarterly, and there can be no assurance that the current dividend level will be maintained. The Company s dividends can be paid as a combination of cash and stock in order to satisfy the annual distribution requirements applicable to REITs. The Company s net cash flow from operations continues to be sufficient to meet the dividend requirements necessary to maintain its REIT status under the Code.

The Company generally expects to utilize net cash flow from operations, available cash and cash equivalents and available capacity under its revolving lines of credit to fund its short-term liquidity requirements, including capital expenditures, dividends and distributions on its common and preferred equity and its debt service requirements. The Company generally expects to fund its long-term liquidity requirements, including maturities of long-term debt and acquisition and development activities, through long-term unsecured and secured borrowings, through on-going condominium sales, possibly through the sale of selected operating communities, through net proceeds from the Company s at-the-market common equity program and possibly through equity or leveraged joint venture arrangements. As it has done in the past, the Company may also use joint venture arrangements in future periods to reduce its market concentrations in certain markets, build critical mass in other markets and to reduce its exposure to certain risks of its future development activities.

As previously discussed, the Company has used the proceeds from the sale of operating communities and condominium homes as one means of funding its development and acquisition activities. Total net sales proceeds from land and condominium sales for the six months ended June 30, 2011 and for the full year of 2010 were $32,765 and $77,388, respectively. As of June 30, 2011, the Company had no apartment communities held for sale and currently does not expect to sell any apartment communities in 2011. The Company expects to generate additional net sales proceeds from the continued closings of condominium units at the Austin and Atlanta Condominium Projects in the remainder of 2011 (see Outlook above where discussed further).

In February 2010, the Company initiated an at-the-market common equity program for the sale of up to 4,000 shares of common stock. The Company expects to use this program as an additional source of capital and liquidity and to maintain the strength of its balance sheet. Sales under this program will be dependent on a variety of factors, including, among others, market conditions and the trading price of the Company s common stock relative to other sources of capital. For the six months ended June 30, 2011 and for the full year of 2010, the Company sold 999 and 41 common shares under this program for net proceeds of $38,233 and $1,121, respectively. The Company has approximately 2,960 shares remaining for issuance under this program.

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(Unaudited, in thousands, except per share or unit and apartment unit data)

As of June 30, 2011, the Company s aggregate pipeline of five apartment developments under construction totaled approximately $272,100, of which approximately $214,000 remained to be incurred by the Company as of June 30, 2011. The Company may begin additional developments over the next twelve to eighteen months. The Company currently expects to utilize available borrowing capacity under its unsecured revolving lines of credit as well as net proceeds from on-going condominium sales and its at-the-market common equity program to fund future estimated construction expenditures.

In January 2011, the Company refinanced its unsecured revolving line of credit facility. The new credit facility was provided by a syndicate of eight financial institutions arranged by Wells Fargo Securities, LLC and J.P. Morgan Securities LLC. The credit facility provides for a $300,000 unsecured revolving line of credit which has a three-year term with a one-year extension option, and which matures in January 2014. The new credit facility amends and restates the Company s previous $400,000 unsecured revolving credit facility. The credit facility has a current stated interest rate of the London Interbank Offered Rate (LIBOR) plus 2.30% and requires the payment of annual facility fees currently equal to 0.45% of the aggregate loan commitments. The credit facility provides for the interest rate and facility fee rate to be adjusted up or down based on changes in the credit ratings of the Company s senior unsecured debt. The credit facility also includes an uncommitted competitive bid option for up to half of the total available borrowing facility, as long as the Company maintains its investment grade credit rating. This option allows participating banks to bid to provide the Company loans at a rate that is generally lower than the stated rate for syndicated borrowings, depending on market conditions. The credit facility contains representations, financial and other affirmative and negative covenants, events of defaults and remedies typical for this type of facility.

In January 2011, the Company also refinanced its unsecured revolving line of credit agreement with Wells Fargo Bank, N.A., providing for a $30,000 unsecured cash management line of credit which has a three-year term with a one-year extension option, and which matures in January 2014. The cash management line carries pricing and terms, including debt covenants, substantially consistent with those of the syndicated credit facility described above. The new credit agreement amends and restates the Company s previous $30,000 unsecured revolving cash management line.

As of July 29, 2011, the Company had cash and cash equivalents of approximately $30,159. Additionally, the Company had no outstanding borrowings and outstanding letters of credit of $710 under its $330,000 combined unsecured revolving line of credit facilities. The terms, conditions and restrictive covenants associated with the Company s unsecured revolving line of credit facilities and senior unsecured notes are summarized in note 4 to the consolidated financial statements. Management believes the Company was in compliance with the covenants of the Company s unsecured revolving lines of credit and senior unsecured notes at June 30, 2011.

Management believes it will have adequate capacity under its unsecured revolving lines of credit to execute the remainder of its 2011 business plan and meet its short-term liquidity requirements. The Company currently believes that it will continue to have access to additional equity capital, unsecured debt financing and secured debt financing through loan programs sponsored by Fannie Mae, Freddie Mac and other secured lenders. In the past, the Company has utilized loan programs sponsored by Fannie Mae and Freddie Mac as a key source of capital to finance its growth and its operations. Should these entities discontinue providing liquidity to the Company s sector, it could significantly reduce the Company s access to debt capital and/or increase borrowing costs and could adversely affect the development of multifamily homes. In addition, the amount and timing of any new debt financings may be limited by restrictive covenants under unsecured debt arrangements, such as coverage ratios and limitations on aggregate secured debt as a percentage of total assets, as defined. There can be no assurances that such secured financing will continue to be available through U.S. government sponsored programs and other secured lenders or that the Company s access to additional debt financings will not be limited by its financial covenants.

Stock and debt repurchase programs

In late 2010, the Company s board of directors adopted a new stock repurchase program under which the Company may repurchase up to $200,000 of common or preferred stock from time to time until December 31, 2012. This new stock and note repurchase program replaces programs that were previously in place through December 2010. In the first half of 2011, the Company fully redeemed its Series B preferred stock with a liquidation value of $49,571. In 2010, the Company repurchased preferred stock with a liquidation value of approximately $2,037 under a Rule 10b5-1 plan.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Unaudited, in thousands, except per share or unit and apartment unit data)

Capitalization of fixed assets and community improvements

The Company has a policy of capitalizing those expenditures relating to the acquisition of new assets and the development and construction of new apartment communities. In addition, the Company capitalizes expenditures that enhance the value of existing assets and expenditures that substantially extend the life of existing assets. All other expenditures necessary to maintain a community in ordinary operating condition are expensed as incurred. Additionally, for new development communities, carpet, vinyl and blind replacements are expensed as incurred during the first five years (which corresponds to the estimated depreciable life of these assets) after construction completion. Thereafter, these replacements are capitalized. Further, the Company expenses as incurred interior and exterior painting of operating communities, unless those communities are under rehabilitation or major remediation.

The Company capitalizes interest, real estate taxes, and certain internal personnel and associated costs related to apartment communities under development, construction and rehabilitation. The incremental personnel and associated costs are capitalized to the projects under development and rehabilitation based upon the effort associated with such projects. The Company treats each unit in an apartment community separately for cost accumulation, capitalization and expense recognition purposes. Prior to the commencement of leasing activities, interest and other construction costs are capitalized and included in construction in progress. The Company ceases the capitalization of such costs as the residential units in a community become substantially complete and available for occupancy. This practice results in a proration of these costs between amounts that are capitalized and expensed as the residential units in a development community become available for occupancy. In addition, prior to the completion of units, the Company expenses, as incurred, substantially all operating expenses (including pre-opening marketing expenses) of such communities.

Acquisition of assets and community development and other capitalized expenditures for the three and six months ended June 30, 2011 and 2010 are summarized as follows:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
New community development and acquisition activity (1)	$ 20,652	$ 13,430	$ 34,539	$ 29,948
Periodically recurring capital expenditures				
Community rehabilitation and other revenue generating improvements (2)	585	20	723	52
Other community additions and improvements (3) (6)	2,275	6,485	3,568	11,931
Annually recurring capital expenditures				
Carpet replacements and other community additions and improvements (4)	4,393	3,391	6,521	5,969
Corporate additions and improvements	336	95	486	446
	$ 28,241	$ 23,421	$ 45,837	$ 48,346
Other Data				
Capitalized interest	$ 574	$ 2,500	$ 1,006	$ 4,894
Capitalized development and associated costs (5)	$ 627	$ 44	$ 1,096	$ 284

(1) Reflects aggregate land and community development and acquisition costs, exclusive of assumed debt and the change in construction payables between years.
(2) Represents expenditures for major renovations of communities and other upgrade costs that enhance the rental value of such units.
(3) Represents property improvement expenditures that generally occur less frequently than on an annual basis.
(4) Represents property improvement expenditures of a type that are expected to be incurred on an annual basis.
(5) Reflects development personnel and associated costs capitalized to construction and development activities.
(6) Includes $5,759 for the three months and $10,653 for the six months ended June 30, 2010, of periodically recurring capital expenditures related to the Company s exterior remediation project that was completed in 2010.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Unaudited, in thousands, except per share or unit and apartment unit data)

Current communities under development

At June 30, 2011, the Company had 1,568 apartment units in five communities under development. These communities are summarized in the table below ($ in millions).

Community	Location	Number of Units	Retail Sq. Ft. (1)	Estimated Total Cost	Costs Incurred as of 6/30/2011	Quarter of First Units Available	Estimated Quarter of Stabilized Occupancy (2)
Post Carlyle Square - Phase II	Wash. DC	344	-	$ 95.0	$ 30.4	2Q 2012	4Q 2013
Post South Lamar	Austin, TX	298	8,555	41.7	7.7	3Q 2012	4Q 2013
Post Midtown Square® - Phase III	Houston, TX	124	10,864	21.8	3.9	3Q 2012	4Q 2013
Post Lake® at Baldwin Park - Phase III	Orlando, FL	410	-	58.6	10.9	4Q2012	2Q2014
Post Parkside at Wade - Phase I	Raleigh, NC	392	18,148	55.0	5.2	4Q2012	2Q2014
Total		1,568	37,567	$ 272.1	$ 58.1		

(1) Square footage amounts are approximate. Actual square footage may vary.
(2) The Company defines stabilized occupancy as the earlier to occur of (i) the attainment of 95% physical occupancy on the first day of any month or (ii) one year after completion of construction.

Inflation

Substantially all of the leases at the communities allow, at the time of renewal, for adjustments in the rent payable thereunder, and thus may enable the Company to seek increases in rents. The substantial majority of these leases are for one year or less and the remaining leases are for up to two years. At the expiration of a lease term, the Company s lease agreements generally provide that the term will be extended unless either the Company or the lessee gives at least sixty (60) days written notice of termination. In addition, the Company s policy generally permits the earlier termination of a lease by a lessee upon thirty (30) days written notice to the Company and the payment of an amount equal to two month s rent as compensation for early termination. The short-term nature of these leases generally serves to offset the risk to the Company that the adverse effect of inflation may have on the Company s general, administrative and operating expenses.

Funds from operations

The Company uses the National Association of Real Estate Investment Trusts (NAREIT) definition of funds from operations (FFO). FFO is defined by NAREIT as net income available to common shareholders determined in accordance with GAAP, excluding gains (or losses) from extraordinary items and sales of depreciable property, plus depreciation of real estate assets, and after adjustment for unconsolidated partnerships and joint ventures all determined on a consistent basis in accordance with GAAP. FFO is a supplemental non-GAAP financial measure. FFO presented herein is not necessarily comparable to FFO presented by other real estate companies because not all real estate companies use the same definition. The Company s FFO is comparable to the FFO of real estate companies that use the current NAREIT definition.

The Company also uses FFO as an operating measure. Accounting for real estate assets using historical cost accounting under GAAP assumes that the value of real estate assets diminishes predictably over time. NAREIT stated in its April 2002 White Paper on Funds from Operations since real estate asset values have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. As a result, the concept of FFO was created by NAREIT for the REIT industry to provide an alternate measure. Since the Company agrees with the concept of FFO and appreciates the reasons surrounding its creation, management believes that FFO is an important supplemental measure of operating performance. In addition, since most equity REITs provide FFO information to the investment community, the Company believes FFO is a useful supplemental measure for comparing the Company s results to those of other equity REITs. The Company believes that the line on the Company s consolidated statement of operations entitled net income (loss) available to common shareholders is the most directly comparable GAAP measure to FFO.

FFO should not be considered as an alternative to net income available to common shareholders (determined in accordance with GAAP) as an indicator of the Company s financial performance. While management believes that FFO is an important supplemental non-GAAP financial measure, management believes it is also important to stress that FFO should not be considered as an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company s liquidity. Further, FFO

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Unaudited, in thousands, except per share or unit and apartment unit data)

is not necessarily indicative of sufficient cash flow to fund all of the Company s needs or ability to service indebtedness or make distributions.

A reconciliation of net income (loss) available to common shareholders to FFO available to common shareholders and unitholders was as follows.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Net income (loss) available to common shareholders	$ 8,824	$ (35,543)	$ 8,403	$ (38,618)
Noncontrolling interests - Operating Partnership	30	(125)	29	(136)
Depreciation on consolidated real estate assets	18,461	18,180	36,864	36,182
Depreciation on real estate assets held in unconsolidated entities	362	355	722	709
Gains on sales of condominiums	(5,432)	(187)	(6,176)	(1,135)
Incremental gains on condominium sales (1)	5,432	150	6,176	872
Funds (deficit) from operations available to common shareholders and unitholders (2)	$ 27,677	$ (17,170)	$ 46,018	$ (2,126)
Weighted average shares outstanding - basic	50,044	48,649	49,621	48,603
Weighted average shares and units outstanding - basic	50,213	48,820	49,791	48,775
Weighted average shares outstanding - diluted (3)	50,435	48,803	50,015	48,736
Weighted average shares and units outstanding - diluted (3)	50,604	48,974	50,185	48,909

(1) The Company recognizes incremental gains on condominium sales in FFO, net of provision for income taxes, to the extent that net sales proceeds from the sale of condominium homes exceeds the greater of their fair value or net book value as of the date the property is acquired by its taxable REIT subsidiary. For condominium development projects, gains on condominium sales in FFO are equivalent to gains reported under generally accepted accounting principles.

(2) For the six months ended June 30, 2011, FFO included $1,757 of preferred stock redemption costs. FFO for the three and six months ended June 30, 2010 included non-cash impairment charges of $35,091.

(3) Diluted weighted average shares and units include the impact of dilutive securities totaling 391 and 154 for the three months and 394 and 133 for the six months ended June 30, 2011 and 2010, respectively. The dilutive securities for the three and six months ended June 30, 2010 were antidilutive to the computation of income (loss) per share, as the Company reported net loss attributable to common shareholders and unitholders for these periods under generally accepted accounting principles. Additionally, basic and diluted weighted average shares and units included the impact of non-vested shares and units totaling 169 and 217 for the three months and 161 and 202 for the six months ended June 30, 2011 and 2010, respectively, for the computation of funds from operations per share. Such non-vested shares and units are considered in the income (loss) per share computations under generally accepted accounting principles using the two-class method.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company s primary market risk exposure is interest rate risk. At June 30, 2011, the Company had no outstanding variable rate debt tied to LIBOR. The Company has interest rate risk associated with fixed rate debt at maturity. The discussion in this section is the same for the Company and the Operating Partnership, except that all indebtedness described herein has been incurred by the Operating Partnership.

Management has and will continue to manage interest rate risk as follows:

- maintain a conservative ratio of fixed rate, long-term debt to total debt such that variable rate exposure is kept at an acceptable level;
- fix certain long-term variable rate debt through the use of interest rate swaps or interest rate caps with appropriately matching maturities;
- use derivative financial instruments where appropriate to fix rates on anticipated debt transactions; and
- take advantage of favorable market conditions for long-term debt and/or equity.

Management uses various financial models and advisors to achieve these objectives.

Because the Company had no outstanding borrowings under its LIBOR-based indebtedness at June 30, 2011, fluctuations in such notes would have no effect on the Company s interest costs.

The Company had no outstanding derivative financial instruments at June 30, 2011. Additionally, other than the renewal of the Company s unsecured line of credit arrangements during the six months ended June 30, 2011, as discussed in note 4 to the consolidated financial statements, there were no material changes in outstanding fixed or variable rate debt arrangements for the six months ended June 30, 2011.

ITEM 4. CONTROLS AND PROCEDURES

As required by Securities and Exchange Commission rules, the Company and the Operating Partnership have evaluated the effectiveness of the design and operation of their disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q. This evaluation was carried out under the supervision and with the participation of the management of the Company and the Operating Partnership, including the principal executive officer and principal financial officer. Based on this evaluation, these officers have concluded that the design and operation of the Company s and the Operating Partnership s disclosure controls and procedures were effective as of the end of the period covered by this quarterly report on Form 10-Q. Disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as amended (the Exchange Act)) are the controls and other procedures of the Company and the Operating Partnership that are designed to ensure that information required to be disclosed by the Company and the Operating Partnership in the reports that they file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission s rules and forms.

There were no changes to the Company s or the Operating Partnership s internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this report that materially affected, or are reasonably likely to materially affect, the Company s or the Operating Partnership s internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS
($ in thousands)

In November 2006, the Equal Rights Center (ERC) filed a lawsuit against the Company and the Operating Partnership in the United States District Court for the District of Columbia. This suit alleges various violations of the Fair Housing Act (FHA) and the Americans with Disabilities Act (ADA) at properties designed, constructed or operated by the Company and the Operating Partnership in the District of Columbia, Virginia, Colorado, Florida, Georgia, New York, North Carolina and Texas. On September 28, 2009, the Court dismissed this suit in its entirety. In granting the Company and the Operating Partnership s request to dismiss the suit, the Court held that the plaintiff lacked standing to bring the claims. On October 13, 2009, the Company and the Operating Partnership moved the Court for a finding of entitlement of an award of the Company and the Operating Partnership s costs, expenses and attorney s fees incurred in defending the action and requested that briefing to determine the amount to which the Company and the Operating Partnership are entitled be scheduled after the finding of entitlement. By order dated November 30, 2010, the Court denied the Company and the Operating Partnership s motion holding that ERC s counsel s conduct in pursuing its suit against the Company and the Operating Partnership is not sanctionable. On October 14, 2009, the ERC filed a notice of appeal of the Court s decision to dismiss the action to the United States Court of Appeals for the District of Columbia Circuit. On March 9, 2011, the Court of Appeals entered an opinion and order affirming the dismissal of the action with prejudice. The time periods for ERC to further appeal the decision have expired. Hence, the dismissal of the lawsuit is final.

In September 2010, the United States Department of Justice (the DOJ) filed a lawsuit against the Company and the Operating Partnership in the United States District Court for the Northern District of Georgia. The suit alleges various violations of the FHA and the ADA at properties designed, constructed or operated by the Company and the Operating Partnership in the District of Columbia, Virginia, Florida, Georgia, New York, North Carolina and Texas. The plaintiff seeks statutory damages and a civil penalty in unspecified amounts, as well as injunctive relief that includes retrofitting apartments and public use areas to comply with the FHA and the ADA and prohibiting construction or sale of noncompliant units or complexes. The Company and the Operating Partnership filed a motion to transfer the case to the United States District Court for the District of Columbia, where the previous ERC case had been proceeding. On October 29, 2010, the United States District Court for the Northern District of Georgia issued an opinion finding that the complaint shows that the DOJ s and ERC s claims are essentially the same, and, therefore, granted the Company and the Operating Partnership s motion and transferred the DOJ s case to the United States District Court for the District of Columbia. The DOJ s case has been assigned to the same Judge who heard the ERC case. Limited discovery is proceeding as permitted by the Court. Due to the preliminary nature of the litigation, it is not possible to predict or determine the outcome of the legal proceeding, nor is it possible to estimate the amount of loss, if any, that would be associated with an adverse decision.

The Company and the Operating Partnership are involved in various other legal proceedings incidental to their business from time to time, most of which are expected to be covered by liability or other insurance. Management of the Company and Operating Partnership believes that any resolution of pending proceedings or liability to the Company or Operating Partnership which may arise as a result of these various other legal proceedings will not have a material adverse effect on the Company or Operating Partnership s results of operations or financial position.

ITEM 1A. RISK FACTORS
There were no material changes in the Registrants Risk Factors as previously disclosed in Item 1A of the Registrants Annual Report on Form 10-K for the year ended December 31, 2010.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) None.

(b) Not applicable.

(c) The following table summarizes the Company s purchases of its equity securities for the three months ended June 30, 2011 (in thousands, except shares and per share amounts).

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
April 1, 2011 April 30, 2011	-	$ -	-	$ 150,429
May 1, 2011 May 31, 2011	-	-	-	$ 150,429
June 1, 2011 June 30, 2011	-	-	-	$ 150,429
Total	-	$ -	-	$ 150,429

(1) In the fourth quarter of 2010, the Company s board of directors approved a stock repurchase program under which the Company may repurchase up to $200,000 of common or preferred stock through December 31, 2012.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. RESERVED

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Certain exhibits required by Item 601 of Regulation S-K have been filed with previous reports by the Registrants and are incorporated by reference herein.

The Registrants agree to furnish a copy of all agreements relating to long-term debt upon request of the SEC.

Exhibit No.		Description
3.1(a)	-	Articles of Incorporation of the Company
3.2(b)	-	Articles of Amendment to the Articles of Incorporation of the Company
3.3(b)	-	Articles of Amendment to the Articles of Incorporation of the Company
3.4(b)	-	Articles of Amendment to the Articles of Incorporation of the Company
3.5(c)	-	Articles of Amendment to the Articles of Incorporation of the Company
3.6(d)	-	Bylaws of the Company (as Amended and Restated effective as of June 9, 2009)
4.1(e)	-	Indenture between the Company and SunTrust Bank, as Trustee
4.2(f)	-	First Supplemental Indenture to the Indenture between the Operating Partnership and SunTrust Bank, as Trustee
10.1(g)*	-	Amended and Restated Employment and Change in Control Agreement with David P. Stockert
10.2(g)*	-	Amended and Restated Employment and Change in Control Agreement with Christopher J. Papa
10.3(g)*	-	Amended and Restated Employment and Change in Control Agreement with Sherry W. Cohen
10.4(g)*	-	Amended and Restated Employment and Change in Control Agreement with Charles A. Konas
10.5(g)*	-	Employment and Change in Control Agreement with S. Jamie Teabo
10.6(g)*	-	Form of Change in Control Agreement (2.0X)
10.8(h)	-	Second Amended and Restated Credit Agreement, dated as of January 21, 2011, by and among Post Apartment Homes, L.P., the financial institutions party thereto and their assignees, Wells Fargo Bank, National Association, Wells Fargo Securities, LLC, J.P. Morgan Securities LLC, JPMorgan Chase Bank, N.A., PNC Bank, National Association, Sumimoto Mitsui Banking Corporation and U.S. Bank National Association
11.1(i)	-	Statement Regarding Computation of Per Share Earnings
31.1	-	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, and adopted under Section 302 of the Sarbanes-Oxley Act of 2002
31.2	-	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, and adopted under Section 302 of the Sarbanes-Oxley Act of 2002
32.1	-	Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted under Section 906 of the Sarbanes-Oxley Act of 2002
32.2	-	Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted under Section 906 of the Sarbanes-Oxley Act of 2002
101	-	The following financial information for the Company and the Operating Partnership, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Equity and Accumulated Earnings, (iv) the Consolidated Statements of Cash Flows, and (v) the Notes to the Consolidated Financial Statements for the Company and tagged as blocks of text for the Operating Partnership.

* Identifies each management contract or compensatory plan required to be filed.
(a) Filed as an exhibit to the Registration Statement on Form S-11 (SEC File No. 33-61936), as amended, of the Company and incorporated herein by reference.
(b) Filed as an exhibit to the Annual Report on Form 10-K of the Registrants for the year ended December 31, 2002 and incorporated herein by reference.
(c) Filed as an exhibit to the Quarterly Report on Form 10-Q of the Registrants for the quarter ended September 30, 1999 and incorporated herein by reference.
(d) Filed as an exhibit to the current Report on Form 8-K of the Registrants filed on February 12, 2009 and incorporated herein by reference.
(e) Filed as an exhibit to the Registration Statement on Form S-3 (SEC File No. 333-42884), as amended, of the Company and incorporated herein by reference.
(f)

Filed as an exhibit to the Registration Statement on Form S-3ASR (SEC File No. 333-139581) of the Company and incorporated herein by reference.

(g) Filed as an exhibit to the Quarterly Report on Form 10-Q of the Registrants for the quarter ended March 31, 2011 and incorporated herein by reference.

(h) Filed as an exhibit to the Current Report on Form 8-K of the Registrants filed January 24, 2011 and incorporated herein by reference.

(i) The information required by this exhibit is included in note 5 to the consolidated financial statements and is incorporated herein by reference.

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SIGNATURES

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

		POST PROPERTIES, INC.
August 8, 2011	By	/s/ David P. Stockert David P. Stockert President and Chief Executive Officer (Principal Executive Officer)
August 8, 2011	By	/s/ Christopher J. Papa Christopher J. Papa Executive Vice President and Chief Financial Officer (Principal Financial Officer)
August 8, 2011	By	/s/ Arthur J. Quirk Arthur J. Quirk Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

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SIGNATURES

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

	POST APARTMENT HOMES, L.P. By: Post GP Holdings, Inc., its sole general partner
August 8, 2011	By /s/ David P. Stockert David P. Stockert President and Chief Executive Officer (Principal Executive Officer)
August 8, 2011	By /s/ Christopher J. Papa Christopher J. Papa Executive Vice President and Chief Financial Officer (Principal Financial Officer)
August 8, 2011	By /s/ Arthur J. Quirk Arthur J. Quirk Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

ITEM 6. EXHIBITS

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(a) Filed as an exhibit to the Registration Statement on Form S-11 (SEC File No. 33-61936), as amended, of the Company and incorporated herein by reference.

(b) Filed as an exhibit to the Annual Report on Form 10-K of the Registrants for the year ended December 31, 2002 and incorporated herein by reference.

(c) Filed as an exhibit to the Quarterly Report on Form 10-Q of the Registrants for the quarter ended September 30, 1999 and incorporated herein by reference.

(d) Filed as an exhibit to the current Report on Form 8-K of the Registrants filed on February 12, 2009 and incorporated herein by reference.

(e) Filed as an exhibit to the Registration Statement on Form S-3 (SEC File No. 333-42884), as amended, of the Company and incorporated herein by reference.

(f) Filed as an exhibit to the Registration Statement on Form S-3ASR (SEC File No. 333-139581) of the Company and incorporated herein by reference.

(g) Filed as an exhibit to the Quarterly Report on Form 10-Q of the Registrants for the quarter ended March 31, 2011 and incorporated herein by reference.

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(h) Filed as an exhibit to the Current Report on Form 8-K of the Registrants filed January 24, 2011 and incorporated herein by reference.
(i) The information required by this exhibit is included in note 5 to the consolidated financial statements and is incorporated herein by reference.