

AVALONBAY COMMUNITIES INC
Form 10-K405
March 29, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2000

Commission file number 1-12672

AVALONBAY COMMUNITIES, INC.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

77-0404318
(I.R.S. Employer
Identification No.)

2900 Eisenhower Avenue, Suite 300
Alexandria, Virginia 22314
(Address of principal executive office, including zip code)

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

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

Common Stock, par value \$.01 per share	New York Stock Exchange, Pacific
Preferred Stock Purchase Rights	New York Stock Exchange, Pacific
8.50% Series C Cumulative Redeemable Preferred Stock, par value \$.01 per share	New York Stock Exchange, Pacific
8.00% Series D Cumulative Redeemable Preferred Stock, par value \$.01 per share	New York Stock Exchange, Pacific
9.00% Series F Cumulative Redeemable Preferred Stock, par value \$.01 per share	New York Stock Exchange
8.96% Series G Cumulative Redeemable Preferred Stock, par value \$.01 per share	New York Stock Exchange
8.70% Series H Cumulative Redeemable Preferred Stock, par value \$.01 per share	New York Stock Exchange, Pacific
(Title of each class)	(Name of each exchange on which

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

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

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

requirements for the past ninety (90) days.

Yes No

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

The aggregate market value of the Registrant's Common Stock, par value \$.01 per share, held by nonaffiliates of the Registrant, as of March 1, 2001 was \$3,241,568,243.

The number of shares of the Registrant's Common Stock, par value \$.01 per share, outstanding as of March 1, 2001 was 67,378,263.

Documents Incorporated by Reference

Portions of AvalonBay Communities, Inc.'s Proxy Statement for the 2001 annual meeting of stockholders, a definitive copy of which will be filed with the SEC within 120 days after the year end of the year covered by this Form 10-K, are incorporated by reference herein as portions of Part III of this Form 10-K.

=====

TABLE OF CONTENTS

	PAGE

PART I	
ITEM 1. BUSINESS	3
ITEM 2. COMMUNITIES.....	8
ITEM 3. LEGAL PROCEEDINGS.....	31
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF STOCKHOLDERS.....	31
PART II	
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.....	32
ITEM 6. SELECTED FINANCIAL DATA.....	34
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	37
ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.....	53
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.....	54
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.....	54
PART III	

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

ITEM 10.	DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT.....	54
ITEM 11.	EXECUTIVE COMPENSATION.....	54
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.....	54
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.....	54
PART IV		
ITEM 14.	EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K.....	55
SIGNATURES	61

PART I

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Our actual results could differ materially from those set forth in each forward-looking statement. Certain factors that might cause such a difference are discussed in this report, including in the section entitled "Forward-Looking Statements" on page 37 of this Form 10-K.

ITEM 1. BUSINESS

General

AvalonBay is a Maryland corporation that has elected to be treated as a real estate investment trust, or REIT, for federal income tax purposes. We focus on the ownership and operation of upscale apartment communities (which generally command among the highest rents in their submarkets) in high barrier-to-entry markets of the United States. This is because we believe that the limited new supply of upscale apartment homes in these markets helps achieve more predictable growth in cash flows. These barriers-to-entry generally include a difficult and lengthy entitlement process with local jurisdictions and dense in-fill locations where zoned and entitled land is in limited supply. Our markets are located in Northern and Southern California and selected states in the Mid-Atlantic, Northeast, Midwest and Pacific Northwest regions of the United States. We believe that we have penetrated substantially all of the high barrier-to-entry markets of the United States.

As of March 1, 2001, we owned or held a direct or indirect ownership interest in 126 operating apartment communities containing 37,256 apartment homes in twelve states and the District of Columbia, of which four communities containing 2,211 apartment homes were under redevelopment. In addition to these operating communities, we also owned 12 communities under construction that will contain 3,484 apartment homes and rights to develop an additional 33 communities that, if developed as expected, will contain an estimated 9,091 apartment homes. We generally obtain ownership in an apartment community by developing vacant land into a new community or by acquiring and either repositioning or redeveloping an existing community. In selecting sites for development, redevelopment or acquisition, we favor locations that are near expanding employment centers and convenient to recreation areas, entertainment, shopping and dining.

Our real estate investments consist of Stable Communities, Developed Communities and Redeveloped Communities. A description of these segments and other related information can be found in note ten of the consolidated financial statements set forth in item 8 of this report.

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Our principal operating objectives are to increase long-term stockholder value by increasing operating cash flow and Funds from Operations (based on a definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts(R) in October 1999). For a description of the meaning of Funds from Operations and its use and limitation as an operating measure, see the discussion titled "Funds from Operations" in Item 7 of this report. Our strategies and goals to achieve these objectives include:

- o generating consistent, sustained earnings growth at each community through increased revenue, by balancing high occupancy with premium pricing, and increased operating margins from operating expense management;
- o investing selectively in new development, redevelopment and acquisition communities in markets with growing demand and high barriers-to-entry;
- o selling communities in markets where we have limited market presence or seek to adjust our market penetration; and
- o maintaining a conservative capital structure to provide continuous access to cost-effective capital.

We believe that we can generally implement these strategies best by developing, redeveloping, acquiring and managing upscale assets in supply-constrained markets while maintaining the financial discipline to ensure balance sheet flexibility.

3

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

- o San Jose, California;
- o Wilton, Connecticut;
- o Boston, Massachusetts;
- o Chicago, Illinois;
- o Iselin, New Jersey;
- o Minneapolis, Minnesota;
- o Newport Beach, California;
- o New York, New York; and
- o Seattle, Washington.

After selecting a target site, we usually negotiate for the right to acquire the site either through an option or a long-term conditional contract. Options and long-term conditional contracts generally enable us to acquire the target site shortly before the start of construction, which reduces development-related risks as well as preserves capital. After we acquire land, we generally shift our focus to construction. Except for certain mid-rise and high-rise apartment communities where we elect to use third-party general contractors or construction managers, we act as our own general contractor. We believe this enables us to achieve higher construction quality, greater control over construction schedules and significant cost savings. Our development and property management teams monitor construction progress to ensure high quality workmanship and a smooth and timely transition into the leasing and operational phase.

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Redevelopment Strategy. When we undertake the redevelopment of a community, our goal is to generally renovate and/or rebuild an existing community so that our total investment is significantly below replacement cost and the community is the highest quality apartment community or best rental value for an upscale apartment community in its local area. We have established procedures to minimize both the cost and risks of redevelopment. Our redevelopment teams, which include key redevelopment, construction and property management personnel, monitor redevelopment progress. We believe we achieve significant cost savings by acting as our own general contractor. More importantly, this helps to ensure high quality design and workmanship and a smooth and timely transition into the lease-up and restabilization phase.

Disposition Strategy. To increase our concentration of communities in selected high barrier-to-entry markets, we are selling assets in certain submarkets and intend to redeploy the proceeds from those sales to develop and redevelop communities under construction or reconstruction. This disposition strategy acts as a source of capital because we are able to redeploy the net proceeds from our dispositions in lieu of raising that amount of capital externally. Under this program, we solicit competing bids from unrelated parties for these individual assets and consider the sales price and tax ramifications of each proposal. In connection with this disposition program, we disposed of a total of nine communities since January 1, 2000. The net proceeds from the sale of these assets were approximately \$139 million. However, we cannot provide assurance that we will be able to continue our current disposition strategy or that assets identified for sale can be sold on terms that are satisfactory to us.

Acquisition Strategy. Our core competencies in development and redevelopment discussed above allow us to be selective in the acquisitions we target. As of March 1, 2001 we had acquired seven communities, containing 1,960 apartment homes, since the beginning of 2000. Six of these communities were acquired in connection with a forward purchase contract agreed to in 1997 with an unaffiliated party. The remaining two presale acquisitions provided for under the 1997 agreement, and one presale commitment provided for under a separate agreement, are expected to close during the next 24 months for an estimated aggregate purchase price of \$147.3 million. Together, these three communities are expected to contain 968 apartment homes when completed. We will manage these communities after acquiring ownership. This expansion is consistent with our strategy to achieve long-term

4

earnings growth by providing a high quality platform for expansion while also providing additional economic and geographic diversity. The acquisition of these presale communities was designed to achieve rapid penetration into markets that are generally supply constrained and in which we had no significant presence.

Property Management Strategy. We intend to increase operating income through innovative, proactive property management that will result in higher revenue with controlled operating expenses from communities.

Our principle strategies to maximize revenue include:

- o intense focus on resident satisfaction;
- o staggering lease terms based on vacancy exposure by apartment type, so that lease expirations are better matched to each community's traffic patterns;
- o increasing rents as market conditions permit;
- o managing community occupancy for optimal rental revenue levels; and
- o applying new technology to optimize revenue from each community.

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Controlling operating expenses is another way in which we intend to increase earnings growth. Growth in our portfolio and the resulting increase in revenue allows for fixed operating costs to be spread over a larger volume of revenue, thereby increasing operating margins. We aggressively pursue real estate tax appeals and control operating expenses as follows:

- o record invoices on-site to ensure careful monitoring of budgeted versus actual expenses;
- o purchase supplies in bulk where possible;
- o bid third-party contracts on a volume basis;
- o strive to retain residents through high levels of service in order to eliminate the cost of preparing an apartment home for a new resident and to reduce marketing and vacant apartment utility costs;
- o perform turnover work in-house or hire third-parties generally depending upon the least costly alternative; and
- o undertake preventive maintenance regularly to maximize resident satisfaction and property and equipment life.

On-site property management teams receive bonuses based largely upon the net operating income produced at their respective communities. We are also pursuing ancillary services which could provide additional revenue sources. On a limited basis, we also manage properties for third parties, believing that doing so will provide information about new markets or provide an acquisition opportunity, thereby enhancing opportunities for growth.

Technology Strategy. We believe that an innovative management information system infrastructure will be an important element in managing our future growth. This is because timely and accurate collection of financial and resident profile data will enable us to maximize revenue through careful leasing decisions and financial management. We currently employ a company-wide intranet using a digital network with high-speed digital lines. This network connects all of our communities and offices to central servers in Alexandria, Virginia, providing access to our associates and to AvalonBay's corporate information throughout the country from all locations.

We have invested in three technology companies in the belief that the development and application of their technology and services will improve the operating performance of our real estate holdings. Realeum, Inc. is engaged in the development of an on-site property management system and leasing automation system to enable management to capture, review and analyze data to a greater extent than is possible using existing commercial software. Broadband Residential Inc. was formed to provide broadband communication services (such as Internet access and video) to residents of multifamily communities. Viva Group, Inc. provides a system for renters and property owners to identify each other and interact and negotiate lease terms over the Internet. Except for a commitment to lend approximately \$700,000 to Broadband Residential if certain conditions are met, we are not obligated to provide any more capital to any of these entities, although we may have the opportunity to exercise preemptive rights that would require us to make further investments. We hold a minority interest position in each of

these entities. The aggregate carrying value of these investments at December 31, 2000 was \$3.6 million. To help monitor our investments, Thomas J. Sargeant, our Executive Vice President and Chief Financial Officer, is a director of Realeum, Inc. and Richard L. Michaux, our Executive Chairman, is a director of Broadband Residential. In addition to the three investments described above, we are a member of Constellation Real Technologies LLC, an entity formed by a

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

number of real estate investment trusts and real estate operating companies for the purpose of investing in multi-sector real estate technology opportunities. Our capital commitment to Constellation Real Technologies is \$4.0 million, although we have made no capital contributions to date.

Financing Strategy. We have consistently maintained, and intend to continue to maintain, a conservative capital structure, largely comprised of common equity. At December 31, 2000, our debt-to-total market capitalization (i.e., the aggregate of the market value of common stock, the liquidation preference of preferred stock and the principle amount of debt) was 30.9%, and our permanent long-term floating rate debt, not including borrowings under the unsecured credit facility, was only 1.2% of total market capitalization. We currently intend to incur long-term floating rate debt only if after such incurrence long-term floating rate debt represents less than 10% of total market capitalization, although that policy may change from time to time.

Currently, we are impacted by a reduction in the availability of cost-effective capital. Therefore, we cannot assure you that cost-effective capital will be available to meet future expenditures required to begin planned construction or reconstruction activity. Before planned construction or reconstruction activity begins, we intend to arrange adequate capital sources to complete such undertakings, although we cannot assure you that we will be able to obtain such financing. During 2000, substantially all of our construction and reconstruction activities were funded by issuance of unsecured debt securities, asset sales, through nontaxable like-kind exchanges, and retained operating cash. In the event that financing cannot be obtained, we may have to abandon planned development activities, write-off associated pursuit costs and/or forego reconstruction activity. In such instances, we will not realize the increased revenues and earnings that we expected from such pursuits, and the related write-off of costs will increase current period expenses.

We estimate that a portion of our short-term liquidity needs will be met from retained operating cash and borrowings under our \$600,000,000 variable rate unsecured credit facility. At March 1, 2001, \$0 was outstanding, \$82,753,000 was used to provide letters of credit and \$517,247,000 was available for borrowing under the unsecured credit facility.

If required, to meet the balance of our liquidity needs we will need to arrange additional capacity under our existing unsecured credit facility, sell additional existing communities and/or issue additional debt or equity securities. While we believe we have the financial position to expand our short-term credit capacity and access the capital markets as needed, we cannot assure you that we will be successful in completing these arrangements, sales or offerings. The failure to complete these transactions on a cost-effective basis could have a material adverse impact on our operating results and financial condition, including the abandonment of deferred development costs and a resultant charge to earnings.

Inflation and Tax Matters

Substantially all of our leases are for a term of one year or less, which may enable us to realize increased rents upon renewal of existing leases or the beginning of new leases. Such short-term leases generally minimize the risk to us of the adverse effects of inflation, although as a general rule these leases permit residents to leave at the end of the lease term without penalty. Our current policy is generally to permit residents to terminate leases upon an agreed advance written notice and a lease termination payment, as provided for in the resident's lease. Short-term leases combined with relatively consistent demand allow rents, and therefore cash flow from the portfolio, to provide an attractive inflation hedge.

We filed an election with our initial federal income tax return to be taxed as a

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

REIT under the Internal Revenue Code of 1986, as amended, and intend to maintain our qualification as a REIT in the future. As a qualified REIT, with limited exceptions, we will not be taxed under federal and certain state income tax laws at the corporate level

6

on our net income to the extent net income is distributed to our stockholders. We expect to make sufficient distributions to avoid income tax at the corporate level.

Environmental Matters

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real estate may be required, in many instances regardless of knowledge or responsibility, to investigate and remediate the effects of hazardous or toxic substances or petroleum product releases at such property. The owner or operator may be held liable to a governmental entity or to third parties for property damage and for investigation and remediation costs incurred by such parties in connection with the contamination, which may be substantial. The presence of such substances, or the failure to properly remediate the contamination, may adversely affect the owner's ability to borrow against, sell or rent such property. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination.

Certain federal, state and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos-containing materials, or ACMs, when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. Such laws may impose liability for release of ACMs and may provide for third parties to seek recovery from owners or operators of real properties for personal injury associated with ACMs. In connection with our ownership and operation of apartment communities, we potentially may be liable for such costs. We are not aware that any ACMs were used in connection with the construction of the communities developed by us. However, we are aware that ACMs were used in connection with the construction of certain communities acquired by us. We do not anticipate that we will incur any material liabilities in connection with the presence of ACMs at these communities. We currently have or intend to implement an operations and maintenance program for ACMs at each of the communities at which ACMs have been detected.

All of our stabilized operating communities, and all of the communities that we are currently developing or redeveloping, have been subjected to at least a Phase I or similar environmental assessment which generally does not involve invasive techniques such as soil or ground water sampling. These assessments have not revealed any environmental conditions that we believe will have a material adverse effect on our business, assets, financial condition or results of operations. We are not aware of any other environmental conditions which would have such a material adverse effect.

However, we are aware that the migration of contamination from an upgradient landowner near Avalon at Silicon Valley (formerly known as Toscana), a community owned by us, has affected the groundwater there. The upgradient landowner is undertaking remedial response actions and a ground water treatment system has been installed. We expect that the upgradient landowner will take all necessary remediation actions and ensure the ongoing operation and maintenance of the ground water treatment system. The upgradient landowner has also provided an indemnity that runs to current and future owners of the property and upon which we may be able to rely if environmental liability arises from the groundwater

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

contamination.

We are also aware that certain communities have lead paint and we are undertaking or intend to undertake appropriate remediation.

Additionally, prior to 1994, we had occasionally been involved in developing, managing, leasing and operating various properties for third parties. Consequently, we may be considered to have been an operator of such properties and, therefore, potentially liable for removal or remediation costs or other potential costs which could relate to hazardous or toxic substances. We are not aware of any material environmental liabilities with respect to properties that we managed or developed for such third parties.

7

We cannot provide assurance that:

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

ITEM 2. COMMUNITIES

Our real estate investments consist of current operating apartment communities, communities in various stages of development, and land or land options held for development. The following is a description of each category:

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

- o Established Communities (also known as Same Store Communities) are communities where a comparison of operating results from the prior year to the current year is meaningful, as these communities were owned and had stabilized operating costs as of the beginning of the prior year. We determine which of our communities fall into the Established Communities category annually on January 1 of each year and maintain that classification throughout the year. For the year 2000, the Established Communities were communities that had stabilized operating costs as of January 1, 1999.
- o Other Stabilized Communities are all other completed communities that have stabilized occupancy and are not undergoing or planning redevelopment activities. We consider a community to have stabilized occupancy at the earlier of (i) attainment of 95% occupancy or (ii) the one-year anniversary of completion of development or redevelopment. For the year 2000, Other Stabilized Communities therefore include communities that were either acquired or achieved stabilization after January 1, 1999 and that were not undergoing or planning redevelopment activities.

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

- o Lease-Up Communities are communities where construction has been complete for less than one year and where occupancy has not reached 95%.
- o Redevelopment Communities are communities where substantial redevelopment is in progress or is planned to take place during the current year. Redevelopment is considered substantial when capital invested during the reconstruction effort exceeds the lesser of \$5 million or 10% of the community's acquisition cost.

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

Development Rights are development opportunities in the early phase of the development process for which we have an option to acquire land, for which we are the buyer under a long-term conditional contract to purchase land or where we own land to develop a new community. We capitalize all related pre-development costs incurred in pursuit of these new developments.

8

As of December 31, 2000, our communities were classified as follows:

	Number of communities	Number of apartment homes
	-----	-----
Current Communities		
Established Communities:		
Northern California	24	6,275
Southern California	8	1,855
Mid-Atlantic	17	4,835
Northeast	18	4,773
Midwest	6	1,591
Pacific Northwest	1	264
	-----	-----
Total Estabilshed	74	19,593
Other Stabilized Communities:		
Northern California	9	2,840
Southern California	8	2,920
Mid-Atlantic	3	1,075
Northeast	17	5,101
Midwest	3	1,033
Pacific Northwest	8	2,374
	-----	-----
Total Other Stabilized	48	15,343
Lease-Up Communities	--	--
Redevelopment Communities	4	2,211
	-----	-----
Total Current Communities	126	37,147
	=====	=====
Development Communities	12	3,484
	=====	=====
Development Rights	33	9,091
	=====	=====

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

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

pages.

Current Communities

The Current Communities are primarily garden-style apartment communities consisting of two and three-story buildings in landscaped settings. The Current Communities, as of March 1, 2001, include 103 garden-style, 15 high-rise and eight mid-rise apartment communities. The Current Communities offer many attractive amenities including some or all of the following:

- o vaulted ceilings;
- o lofts;
- o fireplaces;
- o patios/decks; and
- o modern appliances.

Other features at various communities may include:

- o swimming pools;
- o fitness centers;
- o tennis courts; and
- o business centers.

9

We also have an extensive and ongoing maintenance program to keep all communities and apartment homes substantially free of deferred maintenance and, where vacant, available for immediate occupancy. We believe that the aesthetic appeal of our communities and a service oriented property management team focused on the specific needs of residents enhances market appeal to discriminating residents. We believe this will ultimately achieve higher rental rates and occupancy levels while minimizing resident turnover and operating expenses. These Current Communities are located in the following geographic markets:

	Number of communities at		Number of apartment homes at		Percenta apartme
	1-1-00	3-1-01	1-1-00	3-1-01	1-1-00
Northern California	36	30	9,743	8,889	27.0%
Oakland-East Bay, CA	8	6	2,278	2,090	6.3%
Sacramento, CA	1	--	302	--	0.8%
San Francisco, CA	9	8	1,991	1,765	5.5%
San Jose, CA	18	16	5,172	5,034	14.4%
Southern California	18	18	5,816	5,817	16.1%
Los Angeles, CA	6	6	2,561	2,561	7.1%
Orange County, CA	8	8	2,022	2,022	5.6%
San Diego, CA	4	4	1,233	1,234	3.4%
Pacific Northwest	5	10	1,376	2,971	3.9%
Portland, OR	1	2	279	776	0.8%
Seattle, WA	4	8	1,097	2,195	3.1%
Northeast	33	36	10,359	11,043	28.8%
Boston, MA	9	10	2,580	2,734	7.2%

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Fairfield County, CT	9	11	2,637	2,960	7.3%
Hartford, CT	1	1	932	932	2.6%
Long Island, NY	3	3	575	915	1.6%
Northern New Jersey	3	3	1,124	1,124	3.1%
Central New Jersey	4	3	1,504	1,144	4.2%
New York, NY	4	5	1,007	1,234	2.8%
Mid-Atlantic	22	20	6,499	5,912	18.1%
Baltimore, MD	4	4	1,052	1,054	2.9%
Norfolk, VA	2	--	486	--	1.4%
Richmond, VA	1	--	268	--	0.8%
Washington, DC	15	16	4,693	4,858	13.0%
Midwest	8	9	2,215	2,624	6.2%
Chicago, IL	3	4	887	1,296	2.5%
Minneapolis, MN	5	5	1,328	1,328	3.7%
	=====	=====	=====	=====	=====
	122	123	36,008	37,256	100.0%
	=====	=====	=====	=====	=====

We manage and operate all of the Current Communities. During the year ended December 31, 2000, we completed construction of 1,209 apartment homes in six communities for a total cost of \$175.2 million. The average age of the Current Communities, on a weighted average basis according to number of apartment homes, is 6.7 years.

10

Of the Current Communities, as of March 1, 2001, we own:

- o a fee simple, or absolute, ownership interest in 104 operating communities, one of which is on land subject to a 149 year land lease;
- o a general partnership interest in four partnerships that each own a fee simple interest in an operating community;
- o a general partnership interest in four partnerships structured as "DownREITs," as described more fully below, that own an aggregate of 16 communities;
- o a 100% interest in a senior participating mortgage note secured by one community, which allows us to share in part of the rental income or resale proceeds of the community; and
- o a membership interest in a limited liability company that holds a fee simple interest in one Redevelopment community.

We also hold a fee simple ownership interest in eleven of the Development Communities and a membership interest in a limited liability company that holds a fee simple interest in one Development Community.

In each of the four partnerships structured as DownREITs, either we or one of our wholly-owned subsidiaries is the general partner, and there are one or more limited partners whose interest in the partnership is represented by units of limited partnership interest. For each DownREIT partnership, limited partners are entitled to receive distributions before any distribution is made to the general partner. Although the partnership agreements for each of the DownREITs are different, generally the distributions paid to the holders of units of limited partnership interests approximate the current AvalonBay common stock dividend amount. Each DownREIT partnership has been structured so that it is unlikely the limited partners will be entitled to a distribution greater than the initial distribution provided for in the partnership agreement. The holders

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

of units of limited partnership interest have the right to present each unit of limited partnership interest for redemption for cash equal to the fair market value of a share of our common stock on the date of redemption. In lieu of cash, we may elect to acquire any unit presented for redemption for one share of our common stock. As of December 31, 2000, there were 671,226 units outstanding. The DownREIT partnerships are consolidated for financial reporting purposes.

11

Profile of Current and Development Communities (Dollars in thousands, except per apartment home data)

Community Name	City and state	Number of homes	Approximate rentable area (Sq. Ft.)
CURRENT COMMUNITIES (5)			
NORTHERN CALIFORNIA			
Oakland-East Bay, CA			
Waterford	Hayward, CA	544	451,9
Hampton Place	Fremont, CA	308	316,0
Avalon Fremont (formerly Alicante)	Fremont, CA	135	130,3
Avalon Pleasanton (formerly Hacienda Gardens)	Pleasanton, CA	456	377,4
Avalon Dublin (formerly Armador Oaks)	Dublin, CA	204	179,0
Avalon at Willow Creek	Fremont, CA	235	197,5
Avalon at Union Square (formerly Parc Center at Union Square)	Union City, CA	208	150,1
San Francisco, CA			
Crowne Ridge	San Rafael, CA	254	221,5
Avalon at Sunset Towers	San Francisco, CA	243	175,5
Avalon at Nob Hill (formerly City Heights)	San Francisco, CA	185	109,2
Avalon at Diamond Heights (formerly Village Square)	San Francisco, CA	154	123,0
Avalon Towers by the Bay	San Francisco, CA	226	243,0
Crossbrook	Rohnert Park, CA	226	164,2
Avalon at Cedar Ridge	Daly City, CA	195	141,4
Avalon Foster City (formerly Regatta Bay)	Foster City, CA	288	222,2
Avalon Pacifica (formerly Sea Ridge)	Pacifica, CA	220	186,7
San Jose, CA			
Avalon Silicon Valley (formerly Toscana)	Sunnyvale, CA	710	658,5
Avalon at Blossom Hill (formerly Carriage Square)	San Jose, CA	324	322,2
Avalon Campbell (formerly Canyon Creek)	Campbell, CA	348	326,7
CountryBrook	San Jose, CA	360	323,0
Avalon at Pruneyard (formerly The Arbors)	Campbell, CA	252	197,0
Avalon at Creekside	Mountain View, CA	294	215,6
Avalon at River Oaks (formerly The Fountains at River Oaks)	San Jose, CA	226	210,0
Avalon at Parkside (formerly Parkside Commons)	Sunnyvale, CA	192	199,3
San Marino	San Jose, CA	248	209,4
Avalon Sunnyvale (formerly The Promenade)	Sunnyvale, CA	220	159,6
Avalon at Foxchase	San Jose, CA	396	335,2
Fairway Glen	San Jose, CA	144	119,4
Avalon Cupertino (formerly Centermark)	Cupertino, CA	311	293,3
Avalon on the Alameda	San Jose, CA	305	299,7

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

	City and state	Physical occupancy at 12/31/00	Average Economic Occupancy 2000	1999
Avalon Rosewalk	San Jose, CA		300	297,6
Avalon Rosewalk II	San Jose, CA		156	152,5

CURRENT COMMUNITIES (5)				
NORTHERN CALIFORNIA				
Oakland-East Bay, CA				
Waterford	Hayward, CA	97.8%	97.7%	96.0
Hampton Place	Fremont, CA	99.3%	98.7%	97.1
Avalon Fremont (formerly Alicante)	Fremont, CA	99.3%	98.2%	96.2
Avalon Pleasanton (formerly Hacienda Gardens)	Pleasanton, CA	94.5%	97.3%	95.4
Avalon Dublin (formerly Armador Oaks)	Dublin, CA	98.0%	97.8%	95.1
Avalon at Willow Creek	Fremont, CA	98.3%	98.5%	96.2
Avalon at Union Square (formerly Parc Center at Union Square)	Union City, CA	97.6%	97.3%	97.4
San Francisco, CA				
Crowne Ridge	San Rafael, CA	97.2%	97.4%	95.2
Avalon at Sunset Towers	San Francisco, CA	97.9%	98.5%	97.8
Avalon at Nob Hill (formerly City Heights)	San Francisco, CA	99.5%	97.3%	96.7
Avalon at Diamond Heights (formerly Village Square)	San Francisco, CA	98.7%	98.9%	98.5
Avalon Towers by the Bay	San Francisco, CA	97.8%	97.5%	67.7
Crossbrook	Rohnert Park, CA	99.1%	97.1%	97.7
Avalon at Cedar Ridge	Daly City, CA	97.4%	97.8%	96.4
Avalon Foster City (formerly Regatta Bay)	Foster City, CA	91.0%	94.8%	92.7
Avalon Pacifica (formerly Sea Ridge)	Pacifica, CA	99.1%	98.3%	97.5
San Jose, CA				
Avalon Silicon Valley (formerly Toscana)	Sunnyvale, CA	97.8%	97.9%	94.9
Avalon at Blossom Hill (formerly Carriage Square)	San Jose, CA	100.0%	98.1%	94.9
Avalon Campbell (formerly Canyon Creek)	Campbell, CA	98.3%	97.0%	96.4
CountryBrook	San Jose, CA	99.7%	97.4%	96.2
Avalon at Pruneyard (formerly The Arbors)	Campbell, CA	96.8%	97.5%	91.3
Avalon at Creekside	Mountain View, CA	98.3%	89.9% (2)	91.6
Avalon at River Oaks (formerly The Fountains at River Oaks)	San Jose, CA	100.0%	98.4%	97.1
Avalon at Parkside (formerly Parkside Commons)	Sunnyvale, CA	99.0%	98.1%	96.7
San Marino	San Jose, CA	96.8%	97.7%	96.6
Avalon Sunnyvale (formerly The Promenade)	Sunnyvale, CA	97.3%	98.5%	97.7
Avalon at Foxchase	San Jose, CA	96.9%	97.5%	96.8
Fairway Glen	San Jose, CA	98.6%	98.5%	96.8
Avalon Cupertino (formerly Centermark)	Cupertino, CA	98.1%	98.3%	88.7
Avalon on the Alameda	San Jose, CA	97.7%	96.6%	57.8
Avalon Rosewalk	San Jose, CA	99.3%	98.4%	95.6
Avalon Rosewalk II	San Jose, CA	99.3%	97.3%	76.8

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

(Dollars in thousands, except per apartment home data)

	City and state	Number of homes	Approximate rentable area (Sq. Ft.)
SOUTHERN CALIFORNIA			
Los Angeles, CA			
Avalon Woodland Hills (formerly ViewPointe)	Woodland Hills, CA	663	592,72
Avalon at Media Center (formerly Lakeside)	Burbank, CA	748	530,11
Avalon Westside Terrace	Los Angeles, CA	363	229,29
Arbor Heights	Hacienda Heights, CA	351	270,12
Avalon at Warner Center (formerly Avalon at Warner Oaks)	Woodland Hills, CA	227	191,64
TimberWood	West Covina, CA	209	190,07
Orange County, CA			
Avalon Huntington Beach (formerly SunScape)	Huntington Beach, CA	400	353,19
Avalon at Pacific Bay	Huntington Beach, CA	304	268,00
Avalon at South Coast (formerly Mill Creek)	Costa Mesa, CA	258	208,89
Avalon Santa Margarita (formerly Villa Serena)	Rancho Santa Margarita, CA	301	229,59
Amberway	Anaheim, CA	272	205,57
Avalon at Laguna Niguel (formerly Laguna Brisas)	Laguna Niguel, CA	176	174,84
Avalon Newport (formerly Lafayette Place)	Costa Mesa, CA	145	120,69
Avalon Mission Viejo (formerly Larkspur Canyon)	Mission Viejo, CA	166	124,60
San Diego, CA			
Avalon at Mission Bay	San Diego, CA	564	402,32
Avalon at Cortez Hill (formerly Gateway Tower)	San Diego, CA	294	224,84
Avalon at Mission Ridge (formerly Mission Woods)	San Diego, CA	200	208,10
Avalon at Penasquitos Hills (formerly SummerWalk)	San Diego, CA	176	141,12
PACIFIC NORTHWEST			
Portland, OR			
Avalon at Waterhouse Place	Beaverton, OR	279	261,46
Avalon Palladia	Hillsboro, OR	497	586,40
Seattle, WA			
Avalon at Bear Creek (formerly The Verandas at Bear Creek)	Redmond, WA	264	288,25
Avalon Redmond Place (formerly Gallery Place)	Redmond, WA	222	206,00
Avalon Greenbriar (formerly Avalon Ridge)	Renton, WA	421	382,38
Avalon RockMeadow	Mill Creek, WA	206	240,81
Avalon ParcSquare	Redmond, WA	124	127,23
Avalon WildReed	Everett, WA	234	259,08
Avalon HighGrove	Everett, WA	391	422,48
NORTHEAST			
Boston, MA			
Avalon at Prudential Center	Boston, MA	781	747,95
Longwood Towers	Brookline, MA	334	339,71
Avalon Summit	Quincy, MA	245	203,84
Avalon at Lexington	Lexington, MA	198	231,18
Avalon at Faxon Park	Quincy, MA	171	175,49
Avalon West	Westborough, MA	120	147,47
Avalon Oaks	Wilmington, MA	204	229,74
Avalon Essex	Peabody, MA	154	173,52
Avalon at Center Place	Providence, RI	225	231,67

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

	City and state	Physical occupancy at 12/31/00	Average Economic Occupancy	
			2000	1999
SOUTHERN CALIFORNIA				
Los Angeles, CA				
Avalon Woodland Hills (formerly ViewPointe)	Woodland Hills, CA	97.4%	96.1%	94.4%
Avalon at Media Center (formerly Lakeside)	Burbank, CA	86.0%	89.4% (2)	95.8%
Avalon Westside Terrace	Los Angeles, CA	92.8%	92.4%	85.8%
Arbor Heights	Hacienda Heights, CA	96.3%	96.2%	80.0%
Avalon at Warner Center (formerly Avalon at Warner Oaks)	Woodland Hills, CA	99.6%	97.8%	92.4%
TimberWood	West Covina, CA	95.7%	96.6%	96.2%
Orange County, CA				
Avalon Huntington Beach (formerly SunScape)	Huntington Beach, CA	96.0%	96.1%	95.0%
Avalon at Pacific Bay	Huntington Beach, CA	97.7%	96.7%	82.3%
Avalon at South Coast (formerly Mill Creek)	Costa Mesa, CA	96.9%	96.2%	93.8%
Avalon Santa Margarita (formerly Villa Serena)	Rancho Santa Margarita, CA	96.0%	97.3%	97.2%
Amberway	Anaheim, CA	92.7%	95.5%	89.1%
Avalon at Laguna Niguel (formerly Laguna Brisas)	Laguna Niguel, CA	97.2%	95.9% (2)	95.4%
Avalon Newport (formerly Lafayette Place)	Costa Mesa, CA	100.0%	97.2%	94.3%
Avalon Mission Viejo (formerly Larkspur Canyon)	Mission Viejo, CA	97.6%	97.1%	94.7%
San Diego, CA				
Avalon at Mission Bay	San Diego, CA	95.4%	94.2% (2)	84.8%
Avalon at Cortez Hill (formerly Gateway Tower)	San Diego, CA	74.0%	80.9% (2)	97.3%
Avalon at Mission Ridge (formerly Mission Woods)	San Diego, CA	97.5%	98.0%	98.2%
Avalon at Penasquitos Hills (formerly SummerWalk)	San Diego, CA	99.4%	97.6%	97.2%
PACIFIC NORTHWEST				
Portland, OR				
Avalon at Waterhouse Place	Beaverton, OR	98.9%	96.7%	88.2%
Avalon Palladia	Hillsboro, OR	94.4%	94.3% (3)	N/A
Seattle, WA				
Avalon at Bear Creek (formerly The Verandas at Bear Creek)	Redmond, WA	95.5%	95.5%	88.5%
Avalon Redmond Place (formerly Gallery Place)	Redmond, WA	98.7%	96.4%	91.4%
Avalon Greenbriar (formerly Avalon Ridge)	Renton, WA	92.0%	87.9% (2)	86.9%
Avalon RockMeadow	Mill Creek, WA	96.1%	94.4% (3)	N/A
Avalon ParcSquare	Redmond, WA	97.6%	96.9% (3)	N/A
Avalon WildReed	Everett, WA	97.0%	99.9% (3)	N/A
Avalon HighGrove	Everett, WA	96.4%	94.5% (3)	N/A

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

NORTHEAST

Boston, MA

Avalon at Prudential Center	Boston, MA	96.1%	98.1% (2)	98.4
Longwood Towers	Brookline, MA	98.2%	96.6%	98.3
Avalon Summit	Quincy, MA	99.6%	98.3%	96.3
Avalon at Lexington	Lexington, MA	99.5%	98.5%	96.5
Avalon at Faxon Park	Quincy, MA	98.8%	98.0%	96.5
Avalon West	Westborough, MA	98.3%	97.9%	96.7
Avalon Oaks	Wilmington, MA	98.0%	98.3%	64.5
Avalon Essex	Peabody, MA	96.8%	69.8% (3)	N/
Avalon at Center Place	Providence, RI	97.0%	97.2%	96.1

13

Profile of Current and Development Communities
(Dollars in thousands, except per apartment home data)

	City and state	Number of homes	Approximate area (Sq. F)

Fairfield-New Haven, CT			
Avalon Walk I & II	Hamden, CT	764	761,
Avalon Glen	Stamford, CT	238	221,
Avalon Gates	Trumbull, CT	340	381,
Avalon Springs	Wilton, CT	102	158,
Avalon Valley	Danbury, CT	268	297,
Avalon Lake	Danbury, CT	135	166,
Avalon Corners	Stamford, CT	195	192,
Avalon Haven	North Haven, CT	128	140,
Hartford, CT			
Avalon Pavilions	Manchester, CT	932	849,
Long Island, NY			
Avalon Commons	Smithtown, NY	312	363,
Avalon Towers	Long Beach, NY	109	124,
Avalon Court	Melville, NY	154	193,
Avalon Court North	Melville, NY	340	403,
Northern New Jersey			
Avalon Cove	Jersey City, NJ	504	574,
The Tower at Avalon Cove	Jersey City, NJ	269	241,
Avalon Crest	Fort Lee, NJ	351	371,
Central New Jersey			
Avalon Watch	West Windsor, NJ	512	485,
Avalon Run East	Lawrenceville, NJ	206	265,
New York, NY			
Avalon Gardens	Nanuet, NY	504	638,
Avalon View	Wappingers Falls, NY	288	335,
Avalon Green	Elmsford, NY	105	113,
The Avalon	Bronxville, NY	110	119,

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Avalon Willow	Mamaroneck, NY	227	199,
MID-ATLANTIC			
Baltimore, MD			
Avalon at Fairway Hills I & II	Columbia, MD	720	724,
Avalon at Symphony Glen	Columbia, MD	174	179,
Avalon Landing	Annapolis, MD	158	117,
Washington, DC			
Avalon at Ballston -			
Vermont & Quincy Towers	Arlington, VA	454	420,
Avalon Crescent	McLean, VA	558	613,
Avalon at Ballston -			
Washington Towers	Arlington, VA	344	294,
Avalon at Cameron Court	Alexandria, VA	460	467,
AutumnWoods	Fairfax, VA	420	355,
Avalon at Fair Lakes	Fairfax, VA	234	285,
Avalon at Dulles	Sterling, VA	236	232,
Avalon at Providence Park	Fairfax, VA	141	148,
Avalon at Fox Mill	Herndon, VA	165	219,
Avalon at Decoverly	Rockville, MD	368	368,

		Physical occupancy at 12/31/00	Average Economic Occupancy		
	City and state		2000	1999	

Fairfield-New Haven, CT					
Avalon Walk I & II	Hamden, CT	99.4%	97.9%	97.3%	
Avalon Glen	Stamford, CT	97.5%	97.4%	96.0%	
Avalon Gates	Trumbull, CT	99.1%	98.4%	96.8%	
Avalon Springs	Wilton, CT	100.0%	99.1%	99.2%	
Avalon Valley	Danbury, CT	100.0%	99.0%	58.2% (3)	
Avalon Lake	Danbury, CT	98.5%	99.2%	60.3% (3)	
Avalon Corners	Stamford, CT	99.5%	92.9% (3)	N/A	
Avalon Haven	North Haven, CT	100.0%	71.8% (3)	N/A	
Hartford, CT					
Avalon Pavilions	Manchester, CT	97.1%	97.5%	97.0%	
Long Island, NY					
Avalon Commons	Smithtown, NY	99.7%	98.8%	98.1%	
Avalon Towers	Long Beach, NY	99.1%	98.8%	98.5%	
Avalon Court	Melville, NY	99.6%	99.1%	98.2%	
Avalon Court North	Melville, NY	99.6%	96.6% (3)	N/A	
Northern New Jersey					
Avalon Cove	Jersey City, NJ	99.6%	98.0%	95.3%	
The Tower at Avalon Cove	Jersey City, NJ	99.6%	98.6%	58.4% (3)	
Avalon Crest	Fort Lee, NJ	98.3%	96.9%	41.9% (3)	
Central New Jersey					
Avalon Watch	West Windsor, NJ	98.6%	97.9%	97.7%	
Avalon Run East	Lawrenceville, NJ	98.1%	98.3%	98.0%	
New York, NY					
Avalon Gardens	Nanuet, NY	95.6%	97.1%	98.5%	
Avalon View	Wappingers Falls, NY	97.2%	98.2%	98.7%	
Avalon Green	Elmsford, NY	97.1%	98.8%	99.3%	

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

The Avalon	Bronxville, NY	100.0%	98.4%	63.3% (3)
Avalon Willow	Mamaroneck, NY	96.5%	86.2% (3)	N/A
MID-ATLANTIC				
Baltimore, MD				
Avalon at Fairway Hills I & II	Columbia, MD	98.7%	98.0%	97.5%
Avalon at Symphony Glen	Columbia, MD	96.6%	97.7%	97.3%
Avalon Landing	Annapolis, MD	100.0%	97.9%	97.5%
Washington, DC				
Avalon at Ballston -				
Vermont & Quincy Towers	Arlington, VA	94.9%	97.5%	97.5%
Avalon Crescent	McLean, VA	97.0%	98.2%	97.3%
Avalon at Ballston -				
Washington Towers	Arlington, VA	95.9%	97.6%	97.7%
Avalon at Cameron Court	Alexandria, VA	96.5%	97.2%	97.4%
AutumnWoods	Fairfax, VA	96.9%	97.7%	98.0%
Avalon at Fair Lakes	Fairfax, VA	97.0%	97.6%	97.0%
Avalon at Dulles	Sterling, VA	97.5%	98.5%	98.2%
Avalon at Providence Park	Fairfax, VA	97.2%	98.2%	98.1%
Avalon at Fox Mill	Herndon, VA	98.2%	98.0% (3)	N/A
Avalon at Decoverly	Rockville, MD	98.1%	97.6%	96.2%

14

Profile of Current and Development Communities
(Dollars in thousands, except per apartment home data)

	City and state	Number of homes	Approximate area (Sq. Ft.)

Washington, DC - continued			
Avalon Knoll	Germantown, MD	300	290,36
Avalon Fields I & II	Gaithersburg, MD	288	292,28
Avalon Crossing	Rockville, MD	132	147,69
4100 Massachusetts Avenue	Washington, D.C.	308	298,72
MIDWEST			
Chicago, IL			
Avalon at Danada Farms	Wheaton, IL	295	350,60
Avalon at West Grove	Westmont, IL	400	388,50
Avalon at Stratford Green	Bloomington, IL	192	237,20
200 Arlington Place	Arlington Heights, IL	409	346,83
Minneapolis, MN			
Avalon at Devonshire	Bloomington, MN	498	470,76
Avalon at Edinburgh	Brooklyn Park, MN	198	222,13
Avalon at Town Centre	Eagan, MN	248	235,51
Avalon at Town Square	Plymouth, MN	160	144,02
Avalon at Woodbury	Woodbury, MN	224	287,97

DEVELOPMENT COMMUNITIES

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Avalon at Florham Park	Florham Park, NJ	270	331,56
Avalon at Edgewater	Edgewater, NJ	408	405,14
Avalon Bellevue	Bellevue, WA	202	164,22
Avalon at Arlington Square I	Arlington, VA	510	583,95
Avalon on the Sound	New Rochelle, NY	412	372,86
Avalon Estates	Hull, MA	162	188,39
Avalon Harbor	Stamford, CT	323	336,56
Avalon at Freehold	Freehold, NJ	296	317,60
Avalon at Belltown	Seattle, WA	100	80,20
Avalon Towers on the Peninsula	Mountain View, CA	211	218,39
Avalon at Cahill Park	San Jose, CA	218	218,24
Avalon Riverview I	Long Island City, NY	372	332,94

	City and state	Physical occupancy at 12/31/00	Average Economic Occupancy		
			2000	1999	
Washington, DC - continued					
Avalon Knoll	Germantown, MD	99.3%	97.2%	96.5%	
Avalon Fields I & II	Gaithersburg, MD	97.5%	97.2%	97.2%	1
Avalon Crossing	Rockville, MD	98.5%	97.8%	97.2%	1
4100 Massachusetts Avenue	Washington, D.C.	98.7%	97.7%	96.9%	1
MIDWEST					
Chicago, IL					
Avalon at Danada Farms	Wheaton, IL	96.6%	96.1%	93.8%	1
Avalon at West Grove	Westmont, IL	99.0%	97.3%	91.1% (2)	
Avalon at Stratford Green	Bloomington, IL	99.0%	97.1%	97.4%	1
200 Arlington Place	Arlington Heights, IL	97.1%	97.6% (3)	N/A	1
Minneapolis, MN					
Avalon at Devonshire	Bloomington, MN	97.0%	96.3%	97.2%	
Avalon at Edinburgh	Brooklyn Park, MN	98.0%	94.2%	96.2%	1
Avalon at Town Centre	Eagan, MN	99.2%	98.4%	97.8%	
Avalon at Town Square	Plymouth, MN	97.5%	96.4%	98.5%	
Avalon at Woodbury	Woodbury, MN	96.9%	95.6%	84.6% (3)	1
DEVELOPMENT COMMUNITIES					
Avalon at Florham Park	Florham Park, NJ	N/A	N/A	N/A	
Avalon at Edgewater	Edgewater, NJ	N/A	N/A	N/A	
Avalon Bellevue	Bellevue, WA	N/A	N/A	N/A	
Avalon at Arlington Square I	Arlington, VA	N/A	N/A	N/A	
Avalon on the Sound	New Rochelle, NY	N/A	N/A	N/A	
Avalon Estates	Hull, MA	N/A	N/A	N/A	
Avalon Harbor	Stamford, CT	N/A	N/A	N/A	
Avalon at Freehold	Freehold, NJ	N/A	N/A	N/A	
Avalon at Belltown	Seattle, WA	N/A	N/A	N/A	
Avalon Towers on the Peninsula	Mountain View, CA	N/A	N/A	N/A	
Avalon at Cahill Park	San Jose, CA	N/A	N/A	N/A	
Avalon Riverview I	Long Island City, NY	N/A	N/A	N/A	

(1) For the purpose of this table, Current Communities include only communities for which we held fee simple ownership interests or which we held through DownREIT partnerships.

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

- (2) Represents community which was under redevelopment durring the year, resulting in lower average economic occupancy and average rental rate per square foot for the year.
- (3) Represents community that completed development or was purchased durring the year, which could result in lower average economic occupancy and average rental rate per square foot for the year.
- (4) Represents the average rental revenue per occupied apartment home.
- (5) Costs are presented in accordance with generally accepted accounting preinciples. For current Development Communities, cost represents total costs incurred through December 31, 2000.

15

Profile of Current and Development Communities
(Dollars in thousands, except per apartment home data)

	1 BR	2BR		3BR
	1/1.5 BA	1/1.5 BA	2/2.5/3 BA	2/2.5 BA
CURRENT COMMUNITIES (1)				
NORTHERN CALIFORNIA				
Oakland-East Bay, CA				
Waterford	208	--	336	--
Hampton Place	88	--	176	--
Avalon Fremont	42	81	--	--
Avalon Pleasanton	238	--	218	--
Avalon Dublin	72	8	60	48
Avalon Willow Creek	99	--	136	--
Avalon at Union Square	124	84	--	--
San Francisco, CA				
Crown Ridge	158	68	24	--
Avalon at Sunset Towers	183	20	20	--
Avalon at Nob Hill	114	--	25	--
Avalon at Diamond Heights	90	--	49	15
Avalon Towers by the Bay	103	--	120	--
Crossbrook	88	30	108	--
Avalon at Cedar Ridge	117	33	24	--
Avalon Foster City	124	123	1	--
Avalon Pacifica	58	106	56	--
San Jose, CA				
Avalon Silicon Valley	338	--	336	18
Avalon at Blossom Hill	90	--	210	--
Avalon Campbell	156	--	180	--
CountryBrook	108	--	252	--
Avalon at Pruneyard	212	40	--	--
Avalon at Creekside	158	128	--	--
Avalon at River Oaks	100	--	126	--
Avalon at Parkside	60	--	96	36
San Marino	103	--	145	--

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Avalon Sunnyvale	112	10	54	--
Avalon at Foxchase	168	--	228	--
Fairway Glen	60	--	84	--
Avalon Cupertino	145	--	152	--
Avalon on the Alameda	113	--	164	--
Avalon Rosewalk	96	--	192	--
Avalon Rosewalk II	72	--	72	--

	Parking spaces	Washer & dryer hook-ups or units	Vaulted ceilings	Lofts

CURRENT COMMUNITIES (1)				
NORTHERN CALIFORNIA				
Oakland-East Bay, CA				
Waterford	876	Some	Some	None
Hampton Place	570	All	Most	None
Avalon Fremont	260	All	Some	None
Avalon Pleasanton	856	All	Some	None
Avalon Dublin	427	Most	Some	None
Avalon Willow Creek	240	All	None	None
Avalon at Union Square	210	None	None	None
San Francisco, CA				
Crown Ridge	377	Some	Some	None
Avalon at Sunset Towers	244	None	None	None
Avalon at Nob Hill	104	None	None	None
Avalon at Diamond Heights	155	None	Some	None
Avalon Towers by the Bay	235	All	Some	None
Crossbrook	343	None	Half	None
Avalon at Cedar Ridge	258	None	None	Some
Avalon Foster City	490	None	None	None
Avalon Pacifica	299	None	None	None
San Jose, CA				
Avalon Silicon Valley	1,400	All	Some	Some
Avalon at Blossom Hill	562	All	Some	None
Avalon Campbell	588	All	Some	None
CountryBrook	694	All	Some	None
Avalon at Pruneyard	395	All	None	None
Avalon at Creekside	376	None	None	None
Avalon at River Oaks	354	All	None	None
Avalon at Parkside	192	All	Some	None
San Marino	436	All	Some	None
Avalon Sunnyvale	394	Some	None	None
Avalon at Foxchase	719	All	Some	None
Fairway Glen	226	All	Some	None
Avalon Cupertino	526	All	Some	None
Avalon on the Alameda	558	All	Some	None
Avalon Rosewalk	420	All	Some	None
Avalon Rosewalk II	228	All	Some	None

Built-in bookcases	Carports	Non-direct access garages	Direct access garages	Ho pr se s
-----	-----	-----	-----	-----

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

CURRENT COMMUNITIES (1)

NORTHERN CALIFORNIA

Oakland-East Bay, CA

Waterford	None	Yes	No	No	N
Hampton Place	None	Yes	Yes	No	A
Avalon Fremont	None	Yes	No	No	A
Avalon Pleasanton	None	Yes	Yes	Yes	N
Avalon Dublin	None	No	Yes	No	N
Avalon Willow Creek	None	Yes	No	No	N
Avalon at Union Square	None	Yes	No	No	N

San Francisco, CA

Crown Ridge	None	Yes	No	Yes	N
Avalon at Sunset Towers	None	No	No	Yes	N
Avalon at Nob Hill	Most	No	Yes	No	N
Avalon at Diamond Heights	None	No	Yes	No	N
Avalon Towers by the Bay	None	No	No	Yes	A
Crossbrook	None	Yes	No	Yes	N
Avalon at Cedar Ridge	None	Yes	No	Yes	N
Avalon Foster City	None	Yes	No	No	N
Avalon Pacifica	None	Yes	Yes	No	N

San Jose, CA

Avalon Silicon Valley	Some	No	Yes	No	N
Avalon at Blossom Hill	None	Yes	Yes	No	A
Avalon Campbell	None	Yes	Yes	No	A
CountryBrook	None	Yes	Yes	No	N
Avalon at Pruneyard	None	Yes	Yes	No	N
Avalon at Creekside	None	Yes	No	No	N
Avalon at River Oaks	None	No	No	Yes	N
Avalon at Parkside	Some	Yes	Yes	No	N
San Marino	None	Yes	No	No	N
Avalon Sunnyvale	None	No	No	Yes	N
Avalon at Foxchase	None	Yes	No	No	N
Fairway Glen	None	Yes	No	No	S
Avalon Cupertino	Some	No	Yes	No	N
Avalon on the Alameda	Some	No	Yes	No	A
Avalon Rosewalk	Most	Yes	Yes	No	A
Avalon Rosewalk II	Most	Yes	Yes	No	A

16

Features and Recreational Amenities - Current and Development Communities

	1 BR	2BR		3BR
	-----	-----	-----	-----
	1/1.5 BA	1/1.5 BA	2/2.5/3 BA	2/2.5 BA
-----	-----	-----	-----	-----
SOUTHERN CALIFORNIA				
Los Angeles, CA				
Avalon Woodland Hills	222	--	441	--
Avalon at Media Center	296	102	117	12

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

		Parking spaces	Washer & dryer hook-ups or units	Vaulted ceilings	Lofts
Avalon Westside Terrace	126	--	102	--	
Arbor Heights	212	--	135	2	
Avalon at Warner Center	88	54	65	20	
TimberWood	32	50	63	64	
Orange County, CA					
Avalon Huntington Beach	--	36	324	40	
Avalon at Pacific Bay	144	56	104	--	
Avalon at South Coast	124	--	86	--	
Avalon Santa Margarita	160	--	141	--	
Amberway	114	48	48	--	
Avalon at Laguna Niguel	--	--	176	--	
Avalon Newport	44	54	--	35	
Avalon Mission Viejo	94	28	44	--	
San Diego, CA					
Avalon at Mission Bay	270	9	165	--	
Avalon at Cortez Hill	114	--	83	--	
Avalon at Mission Ridge	18	1	98	83	
Avalon at Penasquitos Hills	48	48	80	--	
PACIFIC NORTHWEST					
Portland, OR					
Avalon at Waterhouse Place	99	38	138	4	
Avalon Palladia	76	132	213	24	
Seattle, WA					
Avalon at Bear Creek	55	40	110	59	
Avalon Redmond Place	76	44	67	35	
Avalon Greenbriar	16	19	217	169	
Avalon RockMeadow	28	48	86	28	
Avalon ParcSquare	31	26	55	5	
Avalon WildReed	36	60	78	60	
Avalon HighGrove	84	119	124	56	
NORTHEAST					
Boston, MA					
Avalon at Prudential Center	361	--	237	--	
Longwood Towers	137	53	22	25	
Avalon Summit	154	61	28	2	
Avalon at Lexington	28	24	90	56	
Avalon at Faxon Park	68	--	75	28	
Avalon West	40	--	55	25	
Avalon Oaks	60	24	96	24	
Avalon Essex	50	--	62	--	
Avalon at Center Place	103	--	111	5	

SOUTHERN CALIFORNIA					
Los Angeles, CA					
Avalon Woodland Hills	1,300	Some	None	Some	
Avalon at Media Center	838	Some	None	None	
Avalon Westside Terrace	487	None	None	None	
Arbor Heights	940	All	None	None	
Avalon at Warner Center	252	All	Some	None	
TimberWood	400	Most	Half	None	

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

	Built-in bookcases	Carports	Non- direct access garages	Direct access garages	Homes pre-w secur syst
Orange County, CA					
Avalon Huntington Beach		790	None	None	None
Avalon at Pacific Bay		478	All	None	None
Avalon at South Coast			Some	Half	None
Avalon Santa Margarita		523	All	None	None
Amberway		454	None	Some	None
Avalon at Laguna Niguel		335	None	Some	None
Avalon Newport		235	Most	Some	None
Avalon Mission Viejo		250	None	None	None
San Diego, CA					
Avalon at Mission Bay		695	None	None	None
Avalon at Cortez Hill		292	None	None	None
Avalon at Mission Ridge		384	Most	None	None
Avalon at Penasquitos Hills		176	All	None	None
PACIFIC NORTHWEST					
Portland, OR					
Avalon at Waterhouse Place		445	All	None	None
Avalon Palladia		1,060	All	Some	Some
Seattle, WA					
Avalon at Bear Creek		470	All	All	None
Avalon Redmond Place		384	All	Some	None
Avalon Greenbriar		731	All	Some	None
Avalon RockMeadow		308	All	Some	None
Avalon ParcSquare		196	All	No	None
Avalon WildReed		462	All	Some	None
Avalon HighGrove		713	All	Some	None
NORTHEAST					
Boston, MA					
Avalon at Prudential Center		142	None	None	None
Longwood Towers		210	Some	None	None
Avalon Summit		328	None	None	None
Avalon at Lexington		355	All	Some	Some
Avalon at Faxon Park		287	All	Some	Some
Avalon West		145	All	Some	Some
Avalon Oaks		355	All	Some	Some
Avalon Essex		259	All	None	Some
Avalon at Center Place		345	All	None	None
SOUTHERN CALIFORNIA					
Los Angeles, CA					
Avalon Woodland Hills	None	No	No	No	Non
Avalon at Media Center	None	Yes	Yes	No	Non
Avalon Westside Terrace	Some	No	No	No	Non
Arbor Heights	None	Yes	Yes	No	Non
Avalon at Warner Center	None	Yes	No	No	Non
TimberWood	None	Yes	No	No	Non
Orange County, CA					
Avalon Huntington Beach	None	Yes	Yes	No	Non
Avalon at Pacific Bay	None	Yes	Yes	No	Non

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Avalon at South Coast	None	Yes	Yes	No	Non
Avalon Santa Margarita	None	Yes	Yes	No	Non
Amberway	None	Yes	Yes	No	Non
Avalon at Laguna Niguel	None	Yes	No	No	Non
Avalon Newport	Some	Yes	Yes	No	Non
Avalon Mission Viejo	None	Yes	Yes	No	Non
San Diego, CA					
Avalon at Mission Bay	None	No	Yes	No	Non
Avalon at Cortez Hill	None	No	No	Yes	Non
Avalon at Mission Ridge	None	No	Yes	No	Non
Avalon at Penasquitos Hills	All	Yes	No	No	Non
PACIFIC NORTHWEST					
Portland, OR					
Avalon at Waterhouse Place	None	Yes	Yes	No	Non
Avalon Palladia	None	Yes	Yes	Yes	Yes
Seattle, WA					
Avalon at Bear Creek	Some	Yes	Yes	Yes	All
Avalon Redmond Place	None	Yes	Yes	No	Non
Avalon Greenbriar	Some	Yes	No	No	Non
Avalon RockMeadow	Some	Yes	Yes	Yes	Yes
Avalon ParcSquare	None	No	No	No	Yes
Avalon WildReed	Some	Yes	Yes	No	Yes
Avalon HighGrove	Some	Yes	Yes	Yes	Yes
NORTHEAST					
Boston, MA					
Avalon at Prudential Center	None	No	No	No	Non
Longwood Towers	Some	No	No	No	Som
Avalon Summit	None	No	Yes	No	Non
Avalon at Lexington	None	Yes	Yes	No	All
Avalon at Faxon Park	None	No	Yes	No	All
Avalon West	None	No	Yes	Yes	All
Avalon Oaks	None	No	Yes	No	All
Avalon Essex	None	No	Yes	Yes	All
Avalon at Center Place	None	No	No	No	Non

17

Features and Recreational Amenities - Current and Development Communities

	1 BR	2BR		3BR
	-----	-----	-----	-----
	1/1.5 BA	1/1.5 BA	2/2.5/3 BA	2/2.5 BA
	-----	-----	-----	-----
Fairfield-New Haven, CT				
Avalon Walk I & II	272	116	122	74
Avalon Glen	124	--	114	--
Avalon Gates	122	--	168	50
Avalon Springs	--	--	70	32
Avalon Valley	106	--	134	28
Avalon Lake	36	--	46	--
Avalon Corners	118	--	77	--

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Avalon Haven	44	60	--	24
Hartford, CT				
Avalon Pavilions	472	168	220	72
Long Island, NY				
Avalon Commons	128	40	112	32
Avalon Towers	--	--	37	1
Avalon Court	34	--	76	44
Avalon Court North	138	54	118	--
Northern New Jersey				
Avalon Cove	190	--	190	46
The Tower at Avalon Cove	147	24	74	24
Avalon Crest	96	--	131	67
Central New Jersey				
Avalon Watch	252	36	142	82
Avalon Run East	64	--	106	36
New York, NY				
Avalon Gardens	208	48	144	104
Avalon View	115	47	62	64
Avalon Green	25	24	56	--
The Avalon	55	2	43	10
Avalon Willow	150	77	--	--
MID-ATLANTIC				
Baltimore, MD				
Avalon at Fairway Hills I & II	283	223	154	60
Avalon at Symphony Glen	86	14	54	20
Avalon Landing	65	18	57	--
Washington, DC				
Avalon at Ballston - Vermont & Quincy Towers	333	37	84	--
Avalon Crescent	186	26	346	--
Avalon at Ballston - Washington Towers	205	28	111	--
Avalon at Cameron Court	208	--	168	--
AutumnWoods	220	72	96	--
Avalon at Fair Lakes	45	12	125	26
Avalon at Dulles	104	40	76	--
Avalon at Providence Park	19	--	112	4
Avalon at Fox Mill	--	--	92	73
Avalon at Decoverly	156	--	104	64
			Washer & dryer	
	Parking spaces	hook-ups or units	Vaulted ceilings	Lofts

Fairfield-New Haven, CT				
Avalon Walk I & II	1,528	All	Some	Some
Avalon Glen	400	Most	Some	Some
Avalon Gates	580	All	Some	Some
Avalon Springs	153	All	Half	Half
Avalon Valley	626	All	Some	Some
Avalon Lake	382	All	Some	Some
Avalon Corners	273	All	Some	Some
Avalon Haven	256	All	None	Some

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Hartford, CT					
Avalon Pavilions	1,631	All	Some	Some	
Long Island, NY					
Avalon Commons	538	All	Some	Some	
Avalon Towers	198	All	None	None	
Avalon Court	292	All	Some	Some	
Avalon Court North	818	All	Some	Most	
Northern New Jersey					
Avalon Cove	464	All	Some	Some	
The Tower at Avalon Cove	263	All	None	None	
Avalon Crest	364	All	Some	Some	
Central New Jersey					
Avalon Watch	768	Most	Some	None	
Avalon Run East	345	All	Some	Some	
New York, NY					
Avalon Gardens	1,008	All	Half	Half	
Avalon View	576	All	Some	Some	
Avalon Green	179	All	Some	Half	
The Avalon	167	All	Some	Some	
Avalon Willow	379	All	Some	Some	
MID-ATLANTIC					
Baltimore, MD					
Avalon at Fairway Hills I & II	1,137	All	Some	None	
Avalon at Symphony Glen	266	All	Some	None	
Avalon Landing	257	All	None	None	
Washington, DC					
Avalon at Ballston - Vermont & Quincy Towers	498	All	None	None	
Avalon Crescent	662	All	Some	Some	
Avalon at Ballston - Washington Towers	415	All	None	None	
Avalon at Cameron Court	736	All	Some	Some	
AutumnWoods	727	All	Some	None	
Avalon at Fair Lakes	505	All	Half	None	
Avalon at Dulles	493	All	Some	None	
Avalon at Providence Park	287	All	None	None	
Avalon at Fox Mill	343	All	Most	None	
Avalon at Decoverly	584	All	Some	Some	

	Built-in bookcases	Carports	Non- direct access garages	Direct access garages	Ho pr se s

Fairfield-New Haven, CT					
Avalon Walk I & II	Some	Yes	No	No	
Avalon Glen	None	Yes	Yes	No	
Avalon Gates	None	Yes	Yes	No	
Avalon Springs	None	No	No	Yes	
Avalon Valley	None	Yes	Yes	No	
Avalon Lake	None	No	Yes	No	
Avalon Corners	None	No	Yes	No	
Avalon Haven	None	Yes	Yes	No	
Hartford, CT					
Avalon Pavilions	None	Yes	No	No	

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Long Island, NY				
Avalon Commons	None	No	Yes	No
Avalon Towers	None	No	No	Yes
Avalon Court	None	No	No	Yes
Avalon Court North	None	No	Yes	Yes
Northern New Jersey				
Avalon Cove	None	No	Yes	Some
The Tower at Avalon Cove	None	No	Yes	No
Avalon Crest	None	No	Yes	Yes
Central New Jersey				
Avalon Watch	None	No	Yes	No
Avalon Run East	None	Yes	Yes	Yes
New York, NY				
Avalon Gardens	None	Yes	Yes	Yes
Avalon View	None	Yes	No	No
Avalon Green	None	Yes	No	No
The Avalon	None	No	Yes	No
Avalon Willow	None	No	Yes	Yes
MID-ATLANTIC				
Baltimore, MD				
Avalon at Fairway Hills I & II	Some	No	No	No
Avalon at Symphony Glen	Half	No	No	No
Avalon Landing	None	Yes	No	No
Washington, DC				
Avalon at Ballston - Vermont & Quincy Towers	None	No	No	Yes
Avalon Crescent	Some	No	Yes	Yes
Avalon at Ballston - Washington Towers	None	No	No	Yes
Avalon at Cameron Court	None	No	Yes	Yes
AutumnWoods	Some	Yes	No	No
Avalon at Fair Lakes	None	No	Yes	Yes
Avalon at Dulles	Some	No	No	No
Avalon at Providence Park	None	No	No	No
Avalon at Fox Mill	None	No	No	Yes
Avalon at Decoverly	None	No	No	No

18

Features and Recreational Amenities - Current and Development Communities

	1 BR	2BR		3BR
	-----	-----	-----	-----
	1/1.5 BA	1/1.5 BA	2/2.5/3 BA	2/2.5 BA
	-----	-----	-----	-----
Washington, DC - continued				
Avalon Knoll	136	55	81	28
Avalon Fields I & II	74	32	84	32
Avalon Fields I & II	--	27	105	--
4100 Massachusetts Avenue	160	70	--	3

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

MIDWEST

Chicago, IL

Avalon at Danada Farms	80	52	134	29
Avalon at West Grove	200	200	--	--
Avalon at Stratford Green	45	9	108	21
200 Arlington Place	142	89	148	--

Minneapolis, MN

Avalon at Devonshire	194	--	304	--
Avalon at Edinburgh	56	--	114	26
Avalon at Town Centre	104	--	111	33
Avalon at Town Square	76	--	68	12
Avalon at Woodbury	41	--	147	36

DEVELOPMENT COMMUNITIES

Avalon at Florham Park	46	--	107	117
Avalon at Edgewater	158	--	190	60
Avalon Bellevue	110	--	67	--
Avalon at Arlington Square I	211	20	226	53
Avalon on the Sound	143	--	184	22
Avalon Estates	66	16	80	--
Avalon Harbor	159	--	130	20
Avalon at Freehold	42	41	176	37
Avalon at Belltown	64	--	20	--
Avalon Towers on the Peninsula	90	--	115	--
Avalon at Cahill Park	118	--	94	--
Avalon Riverview I	184	--	114	--

	Parking spaces	Washer & dryer hook-ups or units	Vaulted ceilings	Lofts

Washington, DC - continued				
Avalon Knoll	482	All	Some	None
Avalon Fields I & II	443	All	Some	Some
Avalon Fields I & II	224	All	Some	Some
4100 Massachusetts Avenue	330	All	None	None

MIDWEST

Chicago, IL

Avalon at Danada Farms	714	All	None	None
Avalon at West Grove	860	None	None	None
Avalon at Stratford Green	437	All	None	None
200 Arlington Place	650	All	None	None

Minneapolis, MN

Avalon at Devonshire	498	Most	Some	None
Avalon at Edinburgh	210	All	None	None
Avalon at Town Centre	250	All	Some	None
Avalon at Town Square	162	All	Some	None
Avalon at Woodbury	513	All	None	None

DEVELOPMENT COMMUNITIES

Avalon at Florham Park	611	All	Most	None
Avalon at Edgewater	872	All	None	Some
Avalon Bellevue	304	All	None	Some
Avalon at Arlington Square I	949	All	Some	Some

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Avalon on the Sound	645	Most	None	Some
Avalon Estates	354	All	Some	Some
Avalon Harbor	543	All	Some	Some
Avalon at Freehold	611	All	Some	Some
Avalon at Belltown	134	All	None	None
Avalon Towers on the Peninsula	512	All	None	None
Avalon at Cahill Park	283	All	Some	Some
Avalon Riverview I	128	All	None	None

	Built-in bookcases	Carports	Non- direct access garages	Direct access garages	Ho pr se s

Washington, DC - continued					
Avalon Knoll	Some	No	No	No	
Avalon Fields I & II	None	No	Yes	No	
Avalon Fields I & II	Some	No	Yes	Yes	
4100 Massachusetts Avenue	Some	No	Yes	No	
MIDWEST					
Chicago, IL					
Avalon at Danada Farms	Some	No	No	Yes	
Avalon at West Grove	None	Yes	No	No	
Avalon at Stratford Green	Some	No	Yes	Yes	
200 Arlington Place	None	No	Yes	No	
Minneapolis, MN					
Avalon at Devonshire	Some	No	Yes	Yes	
Avalon at Edinburgh	None	No	Yes	No	
Avalon at Town Centre	None	No	Yes	No	
Avalon at Town Square	None	No	Yes	No	
Avalon at Woodbury	None	No	No	Yes	
DEVELOPMENT COMMUNITIES					
Avalon at Florham Park	None	No	No	Yes	
Avalon at Edgewater	None	No	No	Yes	
Avalon Bellevue	None	No	No	No	
Avalon at Arlington Square I	Some	No	No	Yes	
Avalon on the Sound	None	No	Yes	No	
Avalon Estates	None	No	Yes	Yes	
Avalon Harbor	None	No	No	No	
Avalon at Freehold	None	No	Yes	No	
Avalon at Belltown	None	No	No	No	
Avalon Towers on the Peninsula	None	No	Yes	No	
Avalon at Cahill Park	None	No	Yes	No	
Avalon Riverview I	None	No	Yes	No	

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

	Buildings w/ security systems	Community entrance controlled access	Building entrance controlled access	Under ground parking
CURRENT COMMUNITIES (1)				
NORTHERN CALIFORNIA				
Oakland-East Bay, CA				
Waterford	Some	Yes	No	No
Hampton Place	All	No	No	No
Avalon Fremont	All	No	No	Yes
Avalon Pleasanton	None	No	No	No
Avalon Dublin	None	No	No	No
Avalon Willow Creek	Some	Yes	No	No
Avalon at Union Square	None	Yes	No	No
San Francisco, CA				
Crown Ridge	None	No	No	Yes
Avalon at Sunset Towers	All	Yes	Yes	Yes
Avalon at Nob Hill	None	Yes	Yes	Yes
Avalon at Diamond Heights	None	No	Yes	Yes
Avalon Towers by the Bay	None	Yes	Yes	Yes
Crossbrook	None	No	No	No
Avalon at Cedar Ridge	None	No	No	No
Avalon Foster City	Some	No	No	No
Avalon Pacifica	None	No	No	No
San Jose, CA				
Avalon Silicon Valley	Some	Yes	Yes	Yes
Avalon at Blossom Hill	None	Yes	Yes	No
Avalon Campbell	Some	Yes	Yes	Yes
CountryBrook	None	Yes	No	No
Avalon at Pruneyard	None	No	No	No
Avalon at Creekside	Some	No	No	No
Avalon at River Oaks	None	No	No	No
Avalon at Parkside	None	No	No	Yes
San Marino	None	Yes	No	No
Avalon Sunnyvale	None	No	No	Yes
Avalon at Foxchase	None	No	No	Yes
Fairway Glen	Some	No	No	No
Avalon Cupertino	None	Yes	Yes	Yes
Avalon on the Alameda	All	Yes	Yes	Yes
Avalon Rosewalk	None	Yes	No	No
Avalon Rosewalk II	None	Yes	No	No

	Walking / jogging	Pool	Sauna / whirlpool	Tennis court	Racquetball	Fitness center
CURRENT COMMUNITIES (1)						
NORTHERN CALIFORNIA						
Oakland-East Bay, CA						
Waterford	No	Yes	Yes	No	No	Yes
Hampton Place	No	Yes	Yes	No	No	Yes
Avalon Fremont	No	Yes	Yes	No	No	Yes
Avalon Pleasanton	No	Yes	Yes	No	No	Yes
Avalon Dublin	No	Yes	Yes	No	No	Yes
Avalon Willow Creek	No	Yes	Yes	No	No	Yes

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Avalon at Union Square	No	Yes	No	No	No	Yes
San Francisco, CA						
Crown Ridge	Yes	Yes	Yes	No	No	Yes
Avalon at Sunset Towers	No	No	No	No	No	No
Avalon at Nob Hill	No	No	No	No	No	Yes
Avalon at Diamond Heights	No	Yes	Yes	No	No	Yes
Avalon Towers by the Bay	No	No	Yes	No	No	Yes
Crossbrook	Yes	Yes	Yes	No	No	Yes
Avalon at Cedar Ridge	No	Yes	Yes	No	No	Yes
Avalon Foster City	Yes	Yes	No	No	No	No
Avalon Pacifica	No	Yes	No	No	No	Yes
San Jose, CA						
Avalon Silicon Valley	No	Yes	Yes	Yes	No	Yes
Avalon at Blossom Hill	No	Yes	Yes	No	No	Yes
Avalon Campbell	Yes	Yes	Yes	No	No	Yes
CountryBrook	No	Yes	Yes	No	No	Yes
Avalon at Pruneyard	No	Yes	Yes	No	No	Yes
Avalon at Creekside	Yes	Yes	No	Yes	No	Yes
Avalon at River Oaks	No	Yes	Yes	No	No	Yes
Avalon at Parkside	No	Yes	Yes	No	No	Yes
San Marino	No	Yes	Yes	No	No	Yes
Avalon Sunnyvale	No	Yes	Yes	No	No	Yes
Avalon at Foxchase	No	Yes	Yes	No	No	Yes
Fairway Glen	No	Yes	Yes	No	No	Yes
Avalon Cupertino	No	Yes	Yes	No	No	Yes
Avalon on the Alameda	No	Yes	Yes	No	No	Yes
Avalon Rosewalk	Yes	Yes	Yes	No	No	Yes
Avalon Rosewalk II	Yes	Yes	Yes	No	No	No

	Indoor outdoor basketball	Clubhouse / clubroom	Business	Totlot	Concierge

CURRENT COMMUNITIES (1)					
NORTHERN CALIFORNIA					
Oakland-East Bay, CA					
Waterford	Yes	No	No	Yes	No
Hampton Place	No	Yes	No	No	No
Avalon Fremont	No	Yes	No	No	No
Avalon Pleasanton	Yes	No	Yes	Yes	No
Avalon Dublin	Yes	No	Yes	No	No
Avalon Willow Creek	No	No	No	No	No
Avalon at Union Square	No	No	No	No	No
San Francisco, CA					
Crown Ridge	No	No	Yes	No	No
Avalon at Sunset Towers	No	No	No	No	No
Avalon at Nob Hill	No	No	No	No	Yes
Avalon at Diamond Heights	No	Yes	No	No	No
Avalon Towers by the Bay	No	Yes	Yes	No	Yes
Crossbrook	No	No	No	Yes	No
Avalon at Cedar Ridge	No	Yes	No	No	No
Avalon Foster City	No	Yes	No	Yes	No
Avalon Pacifica	No	No	No	No	No
San Jose, CA					
Avalon Silicon Valley	Yes	Yes	Yes	Yes	Yes

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Avalon at Blossom Hill	No	No	Yes	No	No
Avalon Campbell	No	No	Yes	Yes	No
CountryBrook	No	No	No	No	No
Avalon at Pruneyard	Yes	No	Yes	No	No
Avalon at Creekside	Yes	Yes	Yes	No	No
Avalon at River Oaks	No	No	Yes	No	No
Avalon at Parkside	Yes	Yes	Yes	Yes	No
San Marino	No	No	No	Yes	No
Avalon Sunnyvale	No	No	Yes	Yes	No
Avalon at Foxchase	No	No	No	No	No
Fairway Glen	No	No	No	Yes	No
Avalon Cupertino	No	No	Yes	No	No
Avalon on the Alameda	No	No	No	No	No
Avalon Rosewalk	No	No	Yes	No	No
Avalon Rosewalk II	No	No	No	No	No

20

Features and Recreational Amenities - Current and Development Communities

(continued)

	Buildings w/ security systems	Community entrance controlled access	Building entrance controlled access	Under ground parking

SOUTHERN CALIFORNIA				
Los Angeles, CA				
Avalon Woodland Hills	None	Yes	No	Yes
Avalon at Media Center	None	No	No	Yes
Avalon Westside Terrace	None	Yes	Yes	Yes
Arbor Heights	None	Yes	No	No
Avalon at Warner Center	None	Yes	No	Yes
TimberWood	Some	Yes	No	No
Orange County, CA				
Avalon Huntington Beach	None	Yes	Yes	Yes
Avalon at Pacific Bay	None	Yes	No	Yes
Avalon at South Coast	None	Yes	Yes	Yes
Avalon Santa Margarita	None	No	No	No
Amberway	None	Yes	No	No
Avalon at Laguna Niguel	None	No	No	No
Avalon Newport	None	No	No	Yes
Avalon Mission Viejo	None	Yes	No	Yes
San Diego, CA				
Avalon at Mission Bay	None	Yes	Yes	Yes
Avalon at Cortez Hill	All	Yes	Yes	Yes
Avalon at Mission Ridge	Some	No	No	No
Avalon at Penasquitos Hills	None	No	No	Yes
PACIFIC NORTHWEST				
Portland, OR				
Avalon at Waterhouse Place	None	No	Yes	No
Avalon Palladia	None	No	Yes	Yes

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Seattle, WA						
Avalon at Bear Creek	All	Yes	Yes	Yes	Yes	Yes
Avalon Redmond Place	None	No	No	Yes	Yes	No
Avalon Greenbriar	None	No	No	Yes	Yes	No
Avalon RockMeadow	None	No	No	Yes	Yes	Yes
Avalon ParcSquare	None	Yes	Yes	Yes	Yes	Yes
Avalon WildReed	None	No	No	Yes	Yes	Yes
Avalon HighGrove	None	No	No	Yes	Yes	Yes

NORTHEAST

Boston, MA						
Avalon at Prudential Center	None	No	No	Yes	Yes	No
Longwood Towers	None	No	No	Yes	Yes	No
Avalon Summit	None	No	No	No	No	No
Avalon at Lexington	None	No	No	Yes	Yes	No
Avalon at Faxon Park	None	No	No	Yes	Yes	No
Avalon West	None	No	No	Yes	Yes	No
Avalon Oaks	None	No	No	Yes	Yes	No
Avalon Essex	None	No	No	Yes	Yes	No
Avalon at Center Place	None	Yes	Yes	Yes	Yes	No

	Walking / jogging	Pool	Sauna / whirlpool	Tennis court	Racquetball	Fitn cen
--	----------------------	------	----------------------	-----------------	-------------	-------------

SOUTHERN CALIFORNIA

Los Angeles, CA						
Avalon Woodland Hills	No	No	No	No	Yes	Y
Avalon at Media Center	No	No	Yes	No	Yes	Y
Avalon Westside Terrace	No	No	No	No	Yes	Y
Arbor Heights	No	No	No	No	Yes	Y
Avalon at Warner Center	No	No	No	No	Yes	Y
TimberWood	No	No	No	No	Yes	Y

Orange County, CA

Avalon Huntington Beach	No	No	Yes	No	Yes	Y
Avalon at Pacific Bay	No	No	No	No	Yes	Y
Avalon at South Coast	No	Yes	No	No	Yes	Y
Avalon Santa Margarita	No	No	Yes	Yes	Yes	Y
Amberway	No	No	No	No	Yes	Y
Avalon at Laguna Niguel	No	No	No	No	Yes	Y
Avalon Newport	No	Yes	No	No	Yes	Y
Avalon Mission Viejo	No	No	No	Yes	Yes	Y

San Diego, CA

Avalon at Mission Bay	Yes	Yes	No	No	Yes	Y
Avalon at Cortez Hill	No	No	No	Yes	Yes	Y
Avalon at Mission Ridge	No	No	Yes	No	Yes	Y
Avalon at Penasquitos Hills	No	No	Yes	Yes	Yes	Y

PACIFIC NORTHWEST

Portland, OR						
Avalon at Waterhouse Place	No	No	Yes	Yes	Yes	Y
Avalon Palladia	No	No	Yes	Yes	Yes	Y

Seattle, WA

Avalon at Bear Creek	No	No	Yes	Yes	Yes	Y
Avalon Redmond Place	No	Yes	No	Yes	Yes	Y
Avalon Greenbriar	No	No	Yes	No	Yes	Y

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Avalon RockMeadow	No	No	Yes	No	Yes	Y
Avalon ParcSquare	No	No	No	Yes	No	
Avalon WildReed	No	No	Yes	Yes	Yes	Y
Avalon HighGrove	No	No	No	No	Yes	Y
NORTHEAST						
Boston, MA						
Avalon at Prudential Center	No	No	Yes	No	No	
Longwood Towers	Yes	No	Yes	No	No	
Avalon Summit	No	No	Yes	No	Yes	
Avalon at Lexington	No	No	Yes	No	Yes	
Avalon at Faxon Park	No	No	Yes	No	Yes	Y
Avalon West	No	No	Yes	No	Yes	
Avalon Oaks	No	No	Yes	No	Yes	Y
Avalon Essex	No	No	Yes	No	Yes	Y
Avalon at Center Place	No	Yes	Yes	No	Yes	
	Indoor outdoor basketball		Clubhouse / clubroom	Business	Totlot	Concier

SOUTHERN CALIFORNIA						
Los Angeles, CA						
Avalon Woodland Hills	No		Yes	No	No	No
Avalon at Media Center	No		Yes	No	No	No
Avalon Westside Terrace	No		Yes	No	Yes	No
Arbor Heights	No		Yes	No	No	No
Avalon at Warner Center	No		Yes	No	No	No
TimberWood	No		Yes	No	No	No
Orange County, CA						
Avalon Huntington Beach	No		Yes	No	No	No
Avalon at Pacific Bay	No		Yes	No	No	No
Avalon at South Coast	No		Yes	Yes	No	No
Avalon Santa Margarita	No		Yes	No	No	No
Amberway	No		Yes	No	No	No
Avalon at Laguna Niguel	No		Yes	No	No	No
Avalon Newport	No		Yes	No	No	No
Avalon Mission Viejo	No		Yes	No	No	No
San Diego, CA						
Avalon at Mission Bay	No		Yes	Yes	Yes	No
Avalon at Cortez Hill	No		Yes	No	No	No
Avalon at Mission Ridge	No		Yes	No	No	No
Avalon at Penasquitos Hills	Yes		Yes	Yes	No	No
PACIFIC NORTHWEST						
Portland, OR						
Avalon at Waterhouse Place	No		Yes	No	No	No
Avalon Palladia	No		Yes	No	No	No
Seattle, WA						
Avalon at Bear Creek	No		Yes	No	No	No
Avalon Redmond Place	No		Yes	No	No	No
Avalon Greenbriar	No		Yes	No	Yes	No
Avalon RockMeadow	No		Yes	No	No	No
Avalon ParcSquare	No		Yes	No	No	No
Avalon WildReed	No		Yes	No	No	No
Avalon HighGrove	No		Yes	No	No	No

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

NORTHEAST

Boston, MA

Avalon at Prudential Center	No	No	No	No	Yes
Longwood Towers	No	Yes	No	No	Yes
Avalon Summit	No	Yes	No	No	No
Avalon at Lexington	No	Yes	No	Yes	No
Avalon at Faxon Park	No	Yes	No	No	No
Avalon West	No	No	No	Yes	No
Avalon Oaks	No	Yes	No	No	No
Avalon Essex	No	Yes	No	No	No
Avalon at Center Place	No	Yes	No	No	Yes

21

Features and Recreational Amenities - Current and Development Communities

(continued)

	Buildings w/ security systems	Community entrance controlled access	Building entrance controlled access	Under ground parking

Fairfield-New Haven, CT				
Avalon Walk I & II	None	No	No	No
Avalon Glen	None	No	Yes	Yes
Avalon Gates	None	Yes	No	No
Avalon Springs	All	No	No	No
Avalon Valley	None	No	No	No
Avalon Lake	None	No	No	No
Avalon Corners	All	Yes	Yes	Yes
Avalon Haven	None	No	No	No
Hartford, CT				
Avalon Pavilions	None	No	No	No
Long Island, NY				
Avalon Commons	All	No	Yes	No
Avalon Towers	All	No	No	Yes
Avalon Court	All	Yes	Yes	No
Avalon Court North	All	No	Yes	No
Northern New Jersey				
Avalon Cove	All	Yes	Yes	No
The Tower at Avalon Cove	All	No	Yes	No
Avalon Crest	All	Yes	Yes	No
Central New Jersey				
Avalon Watch	None	No	Yes	No
Avalon Run East	None	No	No	No
New York, NY				
Avalon Gardens	All	No	No	No
Avalon View	None	No	No	No
Avalon Green	All	No	No	No
The Avalon	All	No	Yes	Yes

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Avalon Willow	All	Yes	Yes	Yes	Yes
MID-ATLANTIC					
Baltimore, MD					
Avalon at Fairway Hills I & II	None	No	No	No	No
Avalon at Symphony Glen	None	No	No	No	No
Avalon Landing	None	No	No	No	No
Washington, DC					
Avalon at Ballston - Vermont & Quincy Towers	None	Yes	Yes	Yes	Yes
Avalon Crescent	None	Yes	No	No	No
Avalon at Ballston - Washington Towers	None	Yes	Yes	Yes	Yes
Avalon at Cameron Court	All	Yes	No	No	No
AutumnWoods	None	No	No	No	No
Avalon at Fair Lakes	None	Yes	No	No	No
Avalon at Dulles	None	No	No	No	No
Avalon at Providence Park	None	No	No	No	No
Avalon at Fox Mill	None	No	No	No	No
Avalon at Decoverly	None	No	No	No	No
	Walking / jogging	Pool	Sauna / whirlpool	Tennis court	Racq

Fairfield-New Haven, CT					
Avalon Walk I & II	Yes	Yes	No	Yes	
Avalon Glen	No	Yes	No	No	
Avalon Gates	No	Yes	No	No	
Avalon Springs	Yes	Yes	No	No	
Avalon Valley	No	Yes	No	No	
Avalon Lake	No	Yes	No	No	
Avalon Corners	No	Yes	No	No	
Avalon Haven	No	Yes	No	No	
Hartford, CT					
Avalon Pavilions	No	Yes	No	Yes	
Long Island, NY					
Avalon Commons	No	Yes	No	No	
Avalon Towers	No	Yes	No	No	
Avalon Court	No	Yes	No	No	
Avalon Court North	Yes	Yes	No	No	
Northern New Jersey					
Avalon Cove	Yes	Yes	No	Yes	
The Tower at Avalon Cove	Yes	Yes	No	Yes	
Avalon Crest	No	Yes	No	No	
Central New Jersey					
Avalon Watch	No	Yes	No	Yes	
Avalon Run East	Yes	Yes	No	No	
New York, NY					
Avalon Gardens	No	Yes	No	Yes	
Avalon View	No	Yes	No	Yes	
Avalon Green	No	Yes	No	No	
The Avalon	No	No	No	No	
Avalon Willow	No	Yes	No	No	
MID-ATLANTIC					
Baltimore, MD					

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Avalon at Fairway Hills I & II	No	Yes	No	Yes
Avalon at Symphony Glen	Yes	Yes	No	No
Avalon Landing	Yes	Yes	No	No
Washington, DC				
Avalon at Ballston - Vermont & Quincy Towers	No	Yes	Yes	No
Avalon Crescent	Yes	Yes	No	No
Avalon at Ballston - Washington Towers	No	Yes	No	Yes
Avalon at Cameron Court	No	Yes	Yes	No
AutumnWoods	Yes	Yes	No	Yes
Avalon at Fair Lakes	No	Yes	No	Yes
Avalon at Dulles	Yes	Yes	Yes	Yes
Avalon at Providence Park	No	Yes	No	No
Avalon at Fox Mill	No	Yes	No	No
Avalon at Decoverly	Yes	Yes	No	Yes

	Indoor outdoor basketball	Clubhouse / clubroom	Business

Fairfield-New Haven, CT			
Avalon Walk I & II	Yes	Yes	No
Avalon Glen	No	Yes	No
Avalon Gates	Yes	Yes	No
Avalon Springs	No	Yes	No
Avalon Valley	Yes	Yes	No
Avalon Lake	No	No	No
Avalon Corners	No	Yes	Yes
Avalon Haven	No	Yes	No
Hartford, CT			
Avalon Pavilions	Yes	Yes	No
Long Island, NY			
Avalon Commons	Yes	Yes	Yes
Avalon Towers	No	Yes	No
Avalon Court	No	Yes	No
Avalon Court North	Yes	Yes	Yes
Northern New Jersey			
Avalon Cove	Yes	Yes	Yes
The Tower at Avalon Cove	Yes	Yes	Yes
Avalon Crest	Yes	Yes	Yes
Central New Jersey			
Avalon Watch	Yes	Yes	No
Avalon Run East	No	Yes	No
New York, NY			
Avalon Gardens	Yes	Yes	Yes
Avalon View	Yes	Yes	No
Avalon Green	No	Yes	No
The Avalon	No	Yes	Yes
Avalon Willow	No	Yes	Yes
MID-ATLANTIC			
Baltimore, MD			
Avalon at Fairway Hills I & II	No	Yes	Yes
Avalon at Symphony Glen	No	Yes	No
Avalon Landing	No	Yes	No

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Washington, DC				
Avalon at Ballston - Vermont & Quincy Towers	No	Yes	No	
Avalon Crescent	No	Yes	Yes	
Avalon at Ballston - Washington Towers	No	Yes	No	
Avalon at Cameron Court	Yes	Yes	Yes	
AutumnWoods	Yes	Yes	No	
Avalon at Fair Lakes	No	Yes	Yes	
Avalon at Dulles	No	Yes	No	
Avalon at Providence Park	No	Yes	Yes	
Avalon at Fox Mill	No	Yes	No	
Avalon at Decoverly	Yes	Yes	No	

22

Features and Recreational Amenities - Current and Development Communities

(continued)

	Buildings w/ security systems	Community entrance controlled access	Building entrance controlled access	Under ground parking

Washington, DC - continued	None	No	Yes	No
Avalon Knoll	All	No	No	No
Avalon Fields I & II	None	Yes	No	No
Avalon Fields I & II 4100 Massachusetts Avenue	None	Yes	Yes	Yes
MIDWEST				
Chicago, IL	None	No	No	No
Avalon at Danada Farms	None	No	Yes	No
Avalon at West Grove	None	No	No	No
Avalon at Stratford Green 200 Arlington Place	None	No	Yes	No
Minneapolis, MN	None	No	Yes	Yes
Avalon at Devonshire	None	No	Yes	Yes
Avalon at Edinburgh	None	No	Yes	Yes
Avalon at Town Centre	None	No	Yes	Yes
Avalon at Town Square	None	No	No	No
Avalon at Woodbury	None	No	No	No
DEVELOPMENT COMMUNITIES				
Avalon at Florham Park	None	No	No	No
Avalon at Edgewater	All	Yes	Yes	Yes
Avalon Bellevue	None	No	Yes	Yes
Avalon at Arlington Square I	None	No	Yes	No
Avalon on the Sound	All	Yes	Yes	No
Avalon Estates	None	No	No	No
Avalon Harbor	All	Yes	Yes	Yes
Avalon at Freehold	None	No	No	No
Avalon at Belltown	None	Yes	Yes	Yes
Avalon Towers on the Peninsula	Yes	Yes	Yes	Yes

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Avalon at Cahill Park	Yes	Yes	Yes	Yes	Yes
Avalon Riverview I	All	Yes	Yes	Yes	No

-----	Walking / jogging	Pool	Sauna / whirlpool	Tennis court	Racq -----
Washington, DC - continued	Yes	Yes	No	Yes	
Avalon Knoll	No	Yes	No	No	
Avalon Fields I & II	No	Yes	No	No	
Avalon Fields I & II 4100 Massachusetts Avenue	Yes	Yes	No	No	
MIDWEST					
Chicago, IL	No	Yes	No	No	
Avalon at Danada Farms	No	Yes	Yes	No	
Avalon at West Grove	Yes	Yes	No	No	
Avalon at Stratford Green 200 Arlington Place	No	Yes	No	No	
Minneapolis, MN	Yes	Yes	No	Yes	
Avalon at Devonshire	Yes	Yes	Yes	No	
Avalon at Edinburgh	Yes	Yes	Yes	Yes	
Avalon at Town Centre	Yes	Yes	Yes	Yes	
Avalon at Town Square	Yes	Yes	No	No	
Avalon at Woodbury					

DEVELOPMENT COMMUNITIES

Avalon at Florham Park	No	Yes	No	No
Avalon at Edgewater	No	Yes	No	No
Avalon Bellevue	No	No	No	No
Avalon at Arlington Square I	No	Yes	No	No
Avalon on the Sound	Yes	Yes	No	No
Avalon Estates	Yes	Yes	Yes	No
Avalon Harbor	Yes	Yes	No	No
Avalon at Freehold	No	Yes	No	No
Avalon at Belltown	No	No	No	No
Avalon Towers on the Peninsula	No	Yes	Yes	No
Avalon at Cahill Park	No	Yes	Yes	No
Avalon Riverview I	Yes	No	No	No

-----	Indoor outdoor basketball	Clubhouse / clubroom	Business -----
Washington, DC - continued	Yes	No	No
Avalon Knoll	No	Yes	No
Avalon Fields I & II	No	Yes	No
Avalon Fields I & II 4100 Massachusetts Avenue	No	Yes	No
MIDWEST			
Chicago, IL	No	Yes	Yes
Avalon at Danada Farms	No	Yes	Yes
Avalon at West Grove	No	Yes	No
Avalon at Stratford Green 200 Arlington Place	No	Yes	No

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Minneapolis, MN	No	Yes	No
Avalon at Devonshire	No	Yes	No
Avalon at Edinburgh	No	Yes	No
Avalon at Town Centre	No	Yes	No
Avalon at Town Square	No	No	No
Avalon at Woodbury			

DEVELOPMENT COMMUNITIES

Avalon at Florham Park	No	Yes	No
Avalon at Edgewater	No	Yes	Yes
Avalon Bellevue	No	Yes	Yes
Avalon at Arlington Square I	Yes	Yes	Yes
Avalon on the Sound	Yes	Yes	Yes
Avalon Estates	No	No	Yes
Avalon Harbor	Yes	Yes	Yes
Avalon at Freehold	No	Yes	Yes
Avalon at Belltown	No	Yes	No
Avalon Towers on the Peninsula	No	No	No
Avalon at Cahill Park	No	Yes	Yes
Avalon Riverview I	No	Yes	Yes

23

Development Communities

As of March 1, 2001, we had twelve Development Communities under construction. We expect these Development Communities, when completed, to add a total of 3,484 apartment homes to our portfolio for a total capitalized cost, including land acquisition costs, of approximately \$660.8 million. Statements regarding the future development or performance of the Development Communities are forward-looking statements. We cannot assure you that:

- o we will complete the Development Communities;
- o our budgeted costs or estimates of occupancy rates will be realized;
- o our schedule of leasing start dates or construction completion dates will be achieved; or
- o future developments will realize returns comparable to our past developments.

You should carefully review the discussion under "Risks of Development and Redevelopment" below.

We hold a fee simple ownership interest in 11 of the Development Communities and a membership interest in a limited liability company that holds a fee simple interest in one Development Community. The following table presents a summary of the Development Communities:

	Number of apartment homes	Budgeted cost (1) (\$ millions)	Construction start	Initial occupancy
	-----	-----	-----	-----
1. Avalon at Florham Park Florham Park, NJ	270	\$41.0	Q2 1999	Q1 2000
2. Avalon at Edgewater Edgewater, NJ	408	\$75.6	Q3 1999	Q3 2001

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

3. Avalon at Bellevue Bellevue, WA	202	\$29.9	Q4 1999	Q1 2001
4. Avalon at Arlington Square I Arlington, VA	510	\$69.9	Q4 1999	Q4 2000
5. Avalon on the Sound (4) New Rochelle, NY	412	\$92.1	Q4 1999	Q3 2001
6. Avalon Estates Hull, MA	162	\$20.4	Q4 1999	Q3 2000
7. Avalon at Freehold Freehold, NY	296	\$33.1	Q2 2000	Q1 2001
8. Avalon Harbor Stamford, CT	323	\$60.7	Q3 2000	Q1 2002
9. Avalon Belltown Seattle, WA	100	\$19.2	Q3 2000	Q4 2001
10. Avalon Towers on the Peninsula Mountain View, CA	211	\$65.9	Q3 2000	Q1 2002
11. Avalon at Cahill Park San Jose, CA	218	\$50.5	Q4 2000	Q2 2002
12. Avalon Riverview I Long Island City, NY	372	\$102.5	Q4 2000	Q2 2002
	-----	-----		
Total	3,484	\$660.8		
	=====	=====		

- (1) Total budgeted cost includes all capitalized costs projected to be incurred to develop the respective Development Community, including land acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees determined in accordance with generally accepted accounting principles.
- (2) Future initial occupancy dates are estimates.
- (3) Stabilized operations are defined as the first full quarter of 95% or greater occupancy after completion of construction.
- (4) This community will be developed under a joint venture structure and the joint venture entity (a limited liability company) has obtained third-party debt financing. Our equity funding of the total budgeted costs is expected to be \$13.3 million.

24

Redevelopment Communities

As of March 1, 2001, we had four communities under redevelopment. We expect the total budgeted cost to complete these Redevelopment Communities, including the cost of acquisition and redevelopment, to be approximately \$324.6 million, of which approximately \$73.5 million is the additional capital invested or expected to be invested above the original purchase cost. Statements regarding the future redevelopment or performance of the Redevelopment Communities are forward-looking statements. We have found that the cost to redevelop an existing apartment community is more difficult to budget and estimate than the cost to develop a new community. Accordingly, we expect that actual costs may vary from our budget by a wider range than for a new development community. We cannot assure you that we will meet our schedules for reconstruction completion, or that we will meet our budgeted costs, either individually or in the aggregate. See the discussion under "Risks of Development and Redevelopment" below.

The following presents a summary of Redevelopment Communities:

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

	Number of apartment homes	Budgeted Cost (\$ millions)		Reconstruction start
		Acquisition cost	Total cost (1)	
1. Avalon at Cortez Hill San Diego, CA	294	\$24.4	\$33.8	Q1 2000
2. Avalon at Media Center Burbank, CA	748	\$55.3	\$75.3	Q1 2000
3. Avalon at Prudential Center Boston, MA	781	\$133.9	\$154.5	Q4 2000
4. Avalon Terrace (4) Stamford, CT	388	\$37.5	\$61.0	Q4 2000
	-----	-----	-----	
Total	2,211	\$251.1	\$324.6	
	=====	=====	=====	

- (1) Total budgeted cost includes all capitalized costs projected to be incurred to redevelop the respective Redevelopment Community, including costs to acquire the community, reconstruction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated redevelopment overhead and other regulatory fees determined in accordance with generally accepted accounting principles.
- (2) Reconstruction completion dates are estimates.
- (3) Restabilized operations are defined as the first full quarter of 95% or greater occupancy after completion of reconstruction.
- (4) This community will be developed under a joint venture structure and the joint venture entity (a limited liability company) has obtained third-party debt financing on a non-recourse basis. Our equity funding of the total budgeted costs is expected to be \$9.6 million.

Development Rights

As of March 1, 2001, we are considering the development of 33 new apartment communities on land that is either owned by us or under contract, or for which we hold a purchase option. These Development Rights range from those beginning design and architectural planning to those that have completed site plans and drawings and can begin construction almost immediately. We estimate that the successful completion of all of these communities would ultimately add 9,091 upscale apartment homes to our portfolio. At December 31, 2000, the cumulative capitalized costs incurred in pursuit of the 33 Development Rights was approximately \$68.9 million, of which \$33.2 was the cost of land acquired in connection with six of the Development Rights. Substantially all of these apartment homes will offer features like those offered by the communities we currently own.

We generally hold Development Rights through options to acquire land, although one Development Right located in New Canaan, Connecticut is controlled through a joint venture partnership that owns the land. The properties comprising the Development Rights are in different stages of the due diligence and regulatory approval process. The decisions as to which of the Development Rights to pursue, if any, or to continue to pursue once an investment in a Development Right is made, are business judgments that we make after we perform financial, demographic and other analysis. Finally, we currently intend to limit the percentage of debt used to finance new developments in

order to maintain our general historical practice with respect to the proportion of debt in our capital structure. Therefore, other financing alternatives may be required to finance the development of those Development Rights scheduled to start construction after January 1, 2001. Although the development of any particular Development Right cannot be assured, we believe that the Development Rights, in the aggregate, present attractive potential opportunities for future development and growth of our long-term stockholder value.

Statements regarding the future development of the Development Rights are forward-looking statements. We cannot assure you that:

- o we will succeed in obtaining zoning and other necessary governmental approvals or the financing required to develop these communities, or that we will decide to develop any particular community; or
- o if we undertake construction of any particular community, that we will complete construction at the total budgeted cost assumed in the financial projections below.

The following presents a summary of the 33 Development Rights we are currently pursuing:

Location	Estimated number of homes	Total budgeted costs (\$ millions)
-----	-----	-----
1. Wilmington, MA	120	\$17
2. Washington, D.C. (1)	209	43
3. San Francisco, CA	250	79
4. Lawrence, NJ	312	41
5. New Canaan, CT (1) (2)	104	26
6. North Bethesda, MD	386	46
7. Marlboro, MA	156	20
8. Weymouth, MA	304	36
9. Seattle, WA	152	44
10. Westborough, MA	280	34
11. Arlington II, VA (1)	332	43
12. Darien, CT (1)	189	37
13. Washington, D.C.	144	29
14. Orange, CT (1)	168	18
15. Hingham, MA	270	42
16. San Francisco, CA	303	94
17. Andover, MA	140	21
18. Newton, MA	299	54
19. Wilton, CT	113	23
20. Oakland, CA (1)	178	36
21. North Potomac, MD	520	61
22. Danbury, CT	244	29
23. Los Angeles, CA	309	53
24. Cohasset, MA	240	34
25. Bellevue, WA	330	63

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

26.	Coram, NY	450	61
27.	Greenburgh - II, NY	500	83
28.	Greenburgh - III, NY	266	44
29.	Bedford, MA	144	19
30.	New Rochelle, NY Phase II and III	588	137
31.	Stratford, CT	182	21
32.	Milford, CT	370	43
33.	Long Island City, NY Phase II and III	539	162
		-----	-----
	Totals	9,091	\$1,593
		=====	=====

- (1) Land is owned, but construction has not yet begun.
- (2) The land currently is owned by a limited partnership in which we are a majority partner. It is currently anticipated that the land seller will retain a minority limited partner interest.

Risks of Development and Redevelopment

We intend to continue to pursue the development and redevelopment of apartment home communities. Our development and redevelopment activities may be exposed to the following:

- o we may abandon opportunities we have already begun to explore based on further review of, or changes in, financial, demographic, environmental or other factors;
- o we may encounter liquidity constraints, including the unavailability of financing on favorable terms for the development or redevelopment of a community;
- o we may be unable to obtain, or we may experience delays in obtaining, all necessary zoning, land-use, building, occupancy, and other required governmental permits and authorizations;

27

- o we may incur construction or reconstruction costs for a community that exceed our original estimates due to increased materials, labor or other expenses, which could make completion or redevelopment of the community uneconomical;
- o occupancy rates and rents at a newly completed or redevelopment community may fluctuate depending on a number of factors, including market and general economic conditions, and may not be sufficient to make the community profitable; and
- o we may be unable to complete construction and lease-up on schedule, resulting in increased debt service expense and construction costs.

The occurrence of any of the events described above could adversely affect our ability to achieve our projected yields on communities under development or redevelopment and could affect our payment of distributions to our stockholders.

Construction costs are projected by us based on market conditions prevailing in the community's market at the time our budgets are prepared and reflect changes to those market conditions that we anticipated at that time. Although we attempt to anticipate changes in market conditions, we cannot predict with certainty what those changes will be. Construction costs have been increasing and, for some of our Development Communities, the total construction costs have been or are expected to be higher than the original budget. Total budgeted cost includes all capitalized costs projected to be incurred to develop the respective Development or Redevelopment Community, including:

- o land and/or property acquisition costs;
- o construction or reconstruction costs;
- o real estate taxes;
- o capitalized interest;
- o loan fees;
- o permits;
- o professional fees;
- o allocated development or redevelopment overhead; and
- o other regulatory fees determined in accordance with generally accepted accounting principles.

We believe that, in the aggregate, we will still achieve our targeted projected yield (i.e., return on invested capital) for those communities experiencing costs in excess of the original budget because of increases in prevailing market rents. We believe that we could experience similar increases in construction costs and market rents with respect to other development communities resulting in total construction costs that exceed original budgets. Likewise, costs to redevelop communities that have been acquired have, in some cases, exceeded our original estimates and similar increases in costs may be experienced in the future. We cannot assure you that market rents in effect at the time new development communities or redeveloped communities complete lease-up will be sufficient to fully offset the effects of any increased construction or reconstruction costs.

Capitalized Interest

In accordance with generally accepted accounting principles, we capitalize interest expense during construction or reconstruction until an apartment home obtains a certificate of occupancy. Thereafter, the interest allocated to that completed apartment home within the community is expensed. Capitalized interest during the years ended December 31, 2000 and 1999 totaled \$18,328,000 and \$21,888,000, respectively.

28

Acquisition Activities and Other Recent Developments

Acquisitions of Existing Communities. We have acquired seven communities containing 1,960 apartment homes since January 1, 2000 for an acquisition price of approximately \$252,400,000. Six of the communities were acquired pursuant to a forward purchase contract agreed to in 1997 with an unaffiliated party.

Sales of Existing Communities. We seek to increase our geographical concentration in selected high barrier-to-entry markets where we believe we can:

- o apply sufficient market and management presence to enhance revenue growth;
- o reduce operating expenses; and
- o leverage management talent.

To achieve this increased concentration, we are selling assets in certain submarkets and intend to redeploy the proceeds from those sales to develop and redevelop communities currently under construction or reconstruction. Pending such redeployment, we will generally use the proceeds from the sale of these communities to reduce amounts outstanding under our variable rate unsecured credit facility. On occasion, we will set aside the proceeds from the sale of communities into a cash escrow account to facilitate a nontaxable like-kind exchange transaction. Accordingly, we sold nine communities, totaling 2,158 apartment homes, since January 1, 2000. Net proceeds from the sales of these

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

assets totaled \$138,924,000.

Land Acquisitions and Leases for New Developments. We carefully select land for development and follow established procedures that we believe minimize both the cost and the risks of development. During 2000, we acquired the following land parcels for future development:

	Gross acres	Estimated Number of apartment homes	Budgeted cost (1) (\$ millions)	Date Acquired
	-----	-----	-----	-----
1. Avalon at Freehold Freehold, NJ	70.0	296	\$33.1	May 2000
2. Avalon Harbor Stamford, CT	15.1	323	\$60.7	May 2000
3. Avalon Belltown Seattle, WA	0.7	100	\$19.2	July 2000
4. Avalon Riverview I (3) Long Island City, NY	1.0	372	\$102.5	September 2000
5. Ellington Washington, D.C.	0.5	209	\$42.9	July 2000
6. Mission Bay (3) San Francisco, CA	1.4	250	\$79.2	December 2000
7. Avalon Hollow Darien, CT	32.0	189	\$36.5	January 2000
8. Avalon at Lake Merrit Oakland, CA	2.1	178	\$36.0	August 2000
	-----	-----	-----	
Total	122.8	1,917	\$410.1	
	=====	=====	=====	

- (1) Total budgeted cost includes all capitalized costs projected to be incurred to develop the respective Development Community, including land acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees allocated development overhead and other regulatory fees determined in accordance with generally accepted accounting principles.
- (2) Future construction start and completion dates are estimates.
- (3) Community will be developed on land being leased from an unrelated third party.

Natural Disasters

Many of our West Coast communities are located in the general vicinity of active earthquake faults. In July 1998, we obtained a seismic risk analysis from an engineering firm which estimated the probable maximum loss (PML) for each of the 63 West Coast communities that we owned at that time and for each of the four West Coast communities under development at that time. To establish a PML, the engineers define a severe earthquake event for the applicable geographic area. The PML is the building damage and business interruption loss that is estimated to have only a 10% probability of being exceeded in a fifty year period in the event of such an earthquake. Because a significant number of our communities are located in the San Francisco Bay Area, the engineers' analysis assumed an

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

earthquake on the Hayward Fault with a Richter Scale magnitude of 7.1. Based on this earthquake scenario, the engineers determined the PML at that time to be \$113 million for the 60 West Coast communities that we owned at that time and the five West Coast communities then under development. The actual aggregate PML could be higher or lower as a result of variations in soil classifications and structural vulnerabilities. For each community, the engineers' analysis calculated an individual PML as a percentage of the community's replacement cost and projected revenues. We cannot assure you that:

- o an earthquake would not cause damage or losses greater than the PML assessments indicate;
- o future PML levels will not be higher than the current PML levels described above for our communities located on the West Coast; or
- o acquisitions or developments after July 1998 will not have PML assessments indicating the possibility of greater damage or losses than currently indicated.

In November 2000, we renewed our earthquake insurance, both for physical damage and lost revenue, with respect to all communities we owned at that time and all of the communities then under development. For any single occurrence, we have in place with respect to communities located in California \$75 million of coverage with a five percent deductible. The five percent deductible is subject to a minimum of \$100,000 per occurrence. Earthquake coverage outside of California is subject to a \$200 million limit and a \$25,000 deductible per occurrence. In addition, our general liability and property insurance program provides coverage for public liability and fire damage. In the event an uninsured disaster or a loss in excess of insured limits were to occur, we could lose our capital invested in the affected community, as well as anticipated future revenue from that community. We would also continue to be obligated to repay any mortgage indebtedness or other obligations related to the community. Any such loss could materially and adversely affect our business and our financial condition and results of operations.

In February 2001, an earthquake occurred in the Pacific Northwest. We believe that no material damage occurred at any of our properties but we are continuing to finalize our evaluation. Any damage that was sustained would be covered by the insurance described above, subject to a \$25,000 deductible.

Americans with Disabilities Act

The apartment communities we own and any apartment communities that we acquire must comply with Title III of the Americans with Disabilities Act to the extent that such properties are "public accommodations" and/or "commercial facilities" as defined by the Americans with Disabilities Act. Compliance with the Americans with Disabilities Act requirements could require removal of structural barriers to handicapped access in certain public areas of our properties where such removal is readily achievable. The Americans with Disabilities Act does not, however, consider residential properties, such as apartment communities, to be public accommodations or commercial facilities, except to the extent portions of such facilities, such as leasing offices, are open to the public. We believe our properties comply in all material respects with all present requirements under the Americans with Disabilities Act and applicable state laws. Noncompliance could result in imposition of fines or an award of damages to private litigants.

ITEM 3. LEGAL PROCEEDINGS

AvalonBay is from time to time subject to claims and administrative proceedings arising in the ordinary course of business. Some of these claims and proceedings

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

are expected to be covered by liability insurance. The following matter, for which we believe we have meritorious defenses and are therefore vigorously defending against, is not covered by liability insurance. However, outstanding litigation matters, individually and in the aggregate, including the matter described below, are not expected to have a material adverse effect on our business or financial condition.

AvalonBay is currently involved in litigation with York Hunter Construction, Inc. and National Union Fire Insurance Company. The action arises from our October 1999 termination of York Hunter as construction manager under a contract relating to construction of the Avalon Willow community in Mamaroneck, New York, because of alleged failures and deficiencies by York Hunter and its subcontractors in performing under the contract. York Hunter initiated the litigation in October 1999, by filing a complaint against us and other defendants claiming more than \$15 million in damages. We have filed counterclaims against York Hunter, seeking more than \$9 million in compensatory damages, including lost rental income and costs to complete the community, and approximately \$14 million in damages arising from a willful exaggeration of lien. We have also filed a claim against National Union Fire Insurance, which furnished construction and performance bonds to us on behalf of York Hunter. We believe that we have meritorious defenses against all of York Hunter's claims and are vigorously contesting those claims. We also intend to pursue our counterclaims against York Hunter and National Union Fire Insurance aggressively. During 2000, this litigation was removed from the United States District Court for the Southern District of New York to the Supreme Court of the State of New York, County of Westchester. A trial date has not been set.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF STOCKHOLDERS

No matter was submitted to a vote of our security holders during the fourth quarter of 2000.

31

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the New York Stock Exchange (NYSE) and the Pacific Exchange (PCX) under the ticker symbol AVB. The following table sets forth the quarterly high and low sales prices per share of our common stock on the NYSE for the years 2000 and 1999, as reported by the NYSE. On March 1, 2001, there were 864 holders of record of an aggregate of 67,378,263 shares of our outstanding common stock.

	2000			1999	
	Sales Price		Dividends	Sales Price	
	High	Low	declared	High	Low
Quarter ended March 31	\$36.688	\$32.625	\$ 0.56	\$34.313	\$33.000
Quarter ended June 30	\$43.125	\$36.125	\$ 0.56	\$37.000	\$33.000
Quarter ended September 30	\$48.250	\$42.000	\$ 0.56	\$35.875	\$33.000

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Quarter ended December 31	\$50.625	\$44.000	\$ 0.56	\$35.000	\$3
---------------------------	----------	----------	---------	----------	-----

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

We have an optional Dividend Reinvestment and Stock Purchase Plan (DRIP) which provides a simple and convenient method for stockholders to invest cash dividends and optional cash payments in shares of our common stock. All holders of capital stock are eligible to participate in the DRIP, including stockholders whose shares are held in the name of a nominee or broker. These participants in the DRIP may purchase additional shares of common stock by:

- o having the cash dividends on all or part of their shares of common stock and preferred stock automatically reinvested;
- o receiving directly, as usual, their cash dividends, if and when declared, on their shares of capital stock and investing in the DRIP by making cash payments of not less than \$100 or more than \$100,000, or such larger amount as we may approve, per quarter; and/or
- o investing both their cash dividends and such optional cash payments in shares of common stock.

Common stock acquired pursuant to the DRIP with reinvested dividends may be purchased at a price per share equal to 97% of the closing price on the NYSE for such shares of common stock on the applicable investment date. Common stock purchased with optional cash payments of up to \$100,000 per calendar quarter may be purchased at a price per share equal to 100% of the last reported sale price for a share of common stock as reported by the NYSE on the applicable investment date. In addition, common stock purchased with optional cash payments in excess of \$100,000 per calendar quarter pursuant to a Request for Waiver may be purchased at a price per share equal to 100% of the average of the daily high and low sales prices of our common stock on the NYSE for the ten trading days immediately preceding the applicable investment date. Generally, no brokerage commissions, fees or service charges are paid by participants in connection with purchases under the DRIP. Stockholders who do not participate in the DRIP continue to receive cash dividends as declared.

During the three months ended December 31, 2000, the Company issued 157,542 shares of common stock in exchange for units of limited partnership held by limited partners of DownREIT partnership subsidiaries of the Company. Specifically, the Company issued 99,576 shares of common stock in exchange for units in Avalon

DownREIT V, L.P., and 57,966 shares of common stock in exchange for units in Bay Pacific Northwest, L.P. These shares were issued in reliance on an exemption from registration under Section 4 (2) of the Securities Act of 1933. The Company is relying on the exemption based upon factual representations received from the limited partners who received these shares.

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

ITEM 6. SELECTED FINANCIAL DATA

The following table provides historical consolidated financial, operating and other data for AvalonBay Communities, Inc. You should read the table with our consolidated financial statements and the notes included in this report. Dollars in thousands, except per share information.

	Years ended		
	12-31-00	12-31-99	12-31-98
Revenue:			
Rental income	\$ 571,943	\$ 504,567	\$ 369,945
Management fees	1,051	1,176	1,377
Other income	401	236	81
	573,395	505,979	371,403
Expenses:			
Operating expenses, excluding property taxes	142,664	135,517	104,346
Property taxes	46,958	42,701	31,775
Interest expense	83,609	74,699	54,650
Depreciation and amortization	122,610	109,759	77,374
General and administrative	13,013	9,592	9,124
Non-recurring items	--	16,782	--
	408,854	389,050	277,269
Equity in income of			
unconsolidated joint ventures	2,428	2,867	2,638
Interest income	4,764	7,362	3,508
Minority interest in consolidated partnerships	(1,908)	(1,975)	(1,770)
	169,825	125,183	98,510
Income before gain on sale of communities and extraordinary item			
Gain on sale of communities	40,779	47,093	25,270
	210,604	172,276	123,780
Income before extraordinary item			
Extraordinary item	--	--	(245)
	210,604	172,276	123,535
Net income			
Dividends attributable to preferred stock	(39,779)	(39,779)	(28,132)
	170,825	132,497	95,403
Net income available to common stockholders	\$ 170,825	\$ 132,497	\$ 95,403
Per Common Share and Share Information:			
Per common share - basic			
Income before extraordinary item (net of preferred dividends)	\$ 2.58	\$ 2.05	\$ 1.89
Extraordinary item	\$ --	\$ --	\$ --
Net income available to common stockholders	\$ 2.58	\$ 2.05	\$ 1.89
Weighted average common shares outstanding	66,309,707	64,724,799	50,387,258
Per common share - diluted			

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Income before extraordinary item (net of preferred dividends)	\$ 2.53	\$ 2.03	\$ 1.88
Extraordinary item	\$ --	\$ --	\$ --
Net income available to common stockholders	\$ 2.53	\$ 2.03	\$ 1.88
Weighted average common shares and units outstanding	68,140,998	66,110,664	51,771,247
Cash dividends declared	\$ 2.24	\$ 2.06	\$ 2.04

34

	Years ended		
	12-31-00	12-31-99	12-31-98
Other Information:			
Net income	\$ 210,604	\$ 172,276	\$ 123,535
Depreciation and amortization	122,610	109,759	77,374
Interest expense	83,609	74,699	54,650
Interest income	(4,764)	(7,362)	(3,508)
Non-recurring items	--	16,782	--
Gain on sale of communities	(40,779)	(47,093)	(25,270)
Extraordinary item	--	--	245
Gross EBITDA (1)	\$ 371,280	\$ 319,061	\$ 227,026
Funds from Operations - Clarified Definition (2)	\$ 252,013	\$ 196,058	\$ 148,487
Funds from Operations - Original Definition (2)	\$ 252,013	\$ 212,840	\$ 148,487
Number of Current Communities	126	122	127
Number of apartment homes	37,147	36,008	37,911
Balance Sheet Information:			
Real estate, before accumulated depreciation	\$ 4,535,969	\$ 4,266,426	\$ 4,006,456
Total assets	\$ 4,397,255	\$ 4,154,662	\$ 4,005,013
Notes payable and unsecured credit facilities	\$ 1,729,924	\$ 1,593,647	\$ 1,484,371
Cash Flow Information:			
Net cash flows provided by operating activities	\$ 294,818	\$ 250,066	\$ 193,478
Net cash flows used in investing activities	\$ (282,584)	\$ (264,619)	\$ (617,685)
Net cash flows provided by financing activities	\$ 37,379	\$ 13,284	\$ 426,375

Notes to Selected Financial Data

- (1) Gross EBITDA represents earnings before interest, income taxes, depreciation and amortization, non-recurring items, gain on sale of communities and extraordinary items. Gross EBITDA is relevant to an understanding of the economics of AvalonBay because it indicates cash flow available from operations to service fixed obligations. Gross EBITDA should not be considered as an alternative to operating income (as determined in accordance with generally accepted accounting principles, or "GAAP"), as an indicator of our operating performance, or to cash flows from operating activities (as determined in accordance with GAAP) as a measure of liquidity. Our calculation of gross EBITDA may not be

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

comparable to gross EBITDA as calculated by other companies.

- (2) We generally consider Funds from Operations, or FFO, to be an appropriate measure of our operating performance because it helps investors understand our ability to incur and service debt and to make capital expenditures. We believe that to gain a clear understanding of our operating results, FFO should be examined with net income as presented in the Consolidated Statements of Operations included elsewhere in this report. FFO is determined based on a definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts(R) and is defined as:

- o net income or loss computed in accordance with GAAP, except that excluded from net income or loss are gains or losses on sales of property and extraordinary (as defined by GAAP) gains and losses on debt restructuring;
- o plus depreciation of real estate assets; and
- o after adjustments for unconsolidated partnerships and joint ventures.

FFO does not represent cash generated from operating activities in accordance with GAAP. Therefore it should not be considered as an alternative to net income as an indication of performance. FFO should also

35

not be considered an alternative to net cash flows from operating activities as determined by generally accepted accounting principles as a measure of liquidity. Additionally, it is not necessarily indicative of cash available to fund cash needs. Further, FFO as calculated by other REITs may not be comparable to our calculation of FFO.

FFO previously reported for the year ended December 31, 1999 excluded the effect on net income of a non-recurring restructuring charge of \$16,076 and Year 2000 remediation costs of \$706, in conformance with the NAREIT definition of FFO calculations then in effect, or the original definition. NAREIT issued a White Paper dated October 1999 that clarified the definition of FFO and the treatment of certain non-recurring charges. The clarified definition includes the effect on net income of non-recurring charges in the calculation of FFO. Although we believe the comparison of FFO using the original definition represents a better guide to investors of comparable operations and growth between years, both FFO calculations are presented below:

	Years ended			
	12-31-00	12-31-99	12-31-98	12-31-97
	-----	-----	-----	-----
Net income available to common stockholders	\$ 170,825	\$ 132,497	\$ 95,403	\$ 45,260
Depreciation (real estate related)	119,416	107,928	75,614	27,360
Joint venture adjustments	792	751	725	399
Minority interest	1,759	1,975	1,770	--
Gain on sale of communities	(40,779)	(47,093)	(25,270)	(677)
Extraordinary items	--	--	245	1,183
	-----	-----	-----	-----

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Funds from Operations - Clarified Definition	\$ 252,013	\$ 196,058	\$ 148,487	\$ 73,525
Non-recurring items	--	16,782	--	--
	-----	-----	-----	-----
Funds from Operations - Original Definition	\$ 252,013	\$ 212,840	\$ 148,487	\$ 73,525
	=====	=====	=====	=====
Net cash provided by operating activities	\$ 294,818	\$ 250,066	\$ 193,478	\$ 93,649
	=====	=====	=====	=====
Net cash used in investing activities	\$ (282,584)	\$ (264,619)	\$ (617,685)	\$ (421,420)
	=====	=====	=====	=====
Net cash provided by financing activities	\$ 37,379	\$ 13,284	\$ 426,375	\$ 320,252
	=====	=====	=====	=====

- (3) Current Communities consist of all communities other than those which are still under construction and have not received a final certificate of occupancy.

36

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Form 10-K, including the notes to the Company's consolidated financial statements, contains "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by our use of the words "believe," "expect," "anticipate," "intend," "estimate," "assume," "project," and other similar expressions in this Form 10-K, that predict or indicate future events and trends or that do not relate to historical matters. In addition, information concerning the following are forward-looking statements:

- o the timing and cost of completion of apartment communities under construction, reconstruction, development or redevelopment;
- o the timing of lease-up and occupancy of apartment communities;
- o the pursuit of land on which we are considering future development;
- o cost, yield and earnings estimates; and
- o the development, implementation and use of management information systems.

We cannot assure the future results or outcomes of the matters described in these statements; rather, these statements merely reflect our current expectations of the approximate outcomes of the matters discussed. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. These risks, uncertainties and other factors may cause our actual results, performance or achievements to differ materially from the anticipated future results, performance or achievements expressed or implied by these forward-looking statements. Some of the factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements include, but are not limited to, the following:

- o we may be unsuccessful in managing our current growth in the number of apartment communities and the related growth of our business operations;
- o our previous or possible future expansion into new geographic market areas may not produce financial results that are consistent with our

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

- historical performance;
- o we may fail to secure development opportunities due to an inability to reach agreements with third parties or to obtain desired zoning and other local approvals;
- o we may abandon development opportunities for a number of reasons, including changes in local market conditions which make development less desirable, increases in costs of development and increases in the cost of capital;
- o construction costs of a community may exceed our original estimates;
- o we may not complete construction and lease-up of communities under development or redevelopment on schedule, resulting in increased interest expense, construction costs and reduced rental revenues;
- o occupancy rates and market rents may be adversely affected by local economic and market conditions which are beyond our control;
- o financing may not be available on favorable terms and our cash flow from operations and access to cost-effective capital may be insufficient for the development of our pipeline and could limit our pursuit of opportunities;
- o our cash flow may be insufficient to meet required payments of principal and interest, and we may be unable to refinance existing indebtedness or the terms of such refinancing may not be as favorable as the terms of existing indebtedness; and

37

- o software applications and ancillary services being developed by companies in which we have invested may be unsuccessful in achieving their business plans or unsuccessful in obtaining additional funding, which could lead to a partial or complete loss of the investment in these companies.

You should read our consolidated financial statements and notes for the year ended December 31, 2000 included in this report in conjunction with the following discussion. You should also carefully review the section in Item 2 of this report that is captioned "Risks of Development and Redevelopment." These forward-looking statements represent our estimates and assumptions only as of the date of this report. We do not undertake to update these forward-looking statements, and you should not rely upon them after the date of this report.

Business Description and Community Information

AvalonBay is a Maryland corporation that has elected to be treated as a real estate investment trust, or REIT, for federal income tax purposes. We focus on the ownership and operation of upscale apartment communities (which generally command among the highest rents in their submarkets) in high barrier-to-entry markets of the United States. This is because we believe that the limited new supply of upscale apartment homes in these markets helps achieve more predictable growth in cash flows. These barriers-to-entry generally include a difficult and lengthy entitlement process with local jurisdictions and dense in-fill locations where zoned and entitled land is in limited supply. Our markets are located in Northern and Southern California and selected states in the Mid-Atlantic, Northeast, Midwest and Pacific Northwest regions of the United States.

We are a fully-integrated real estate organization with in-house expertise in the following areas:

- o development and redevelopment;
- o construction and reconstruction;
- o leasing and management;

- o acquisition and disposition;
- o financing;
- o marketing; and
- o information technologies.

With our expertise and in-house capabilities, we believe we are well-positioned to continue to pursue opportunities to develop and acquire upscale apartment homes in our target markets. Our ability to pursue attractive opportunities, however, may be constrained by capital market conditions that limit the availability of cost-effective capital to finance these activities. We have limited our acquisition activity as compared to prior years due to these capital constraints, and we expect to direct most of our invested capital to new developments and redevelopments, rather than acquisitions, for the foreseeable future. See "Liquidity and Capital Resources" and "Future Financing and Capital Needs."

We believe apartment communities present an attractive investment opportunity compared to other real estate investments because a broad potential resident base results in relatively stable demand during all phases of a real estate cycle. We intend to pursue appropriate new investments, including new developments, redevelopments and acquisitions of communities, subject to the availability of cost-effective capital. We intend to pursue these investments in markets where constraints to new supply exist and where new household formations have outpaced multifamily permit activity in recent years.

38

Our real estate investments consist of current operating apartment communities, communities in various stages of development, and land or land options held for development. Our current operating communities are further distinguished as Established, Other Stabilized, Lease-Up or Redevelopment. A description of these categories and other related information is set forth above in Item 2.

At December 31, 2000, we had positioned our portfolio of Stabilized Communities (or, all Established Communities and Other Stabilized Communities), excluding communities owned by unconsolidated joint ventures, to an average physical occupancy level of 97.6%. Our strategy is to maximize total rental revenue through management of rental rates and occupancy levels. Our strategy of maximizing total rental revenue could lead to lower occupancy levels. Given the current high occupancy level of our portfolio, we believe that any rental revenue and net income gains from our Established Communities would be achieved primarily through higher rental rates and the lower average operating costs per apartment home that result from economies of scale due to national and regional growth of our portfolio. See "Property Management Strategy" in Item 1 of this report for further discussion of our strategy.

Recent Developments

Sales of Existing Communities. We seek to increase our geographical concentration in selected high barrier-to-entry markets where we believe we can:

- o apply sufficient market and management presence to enhance revenue growth;
- o reduce operating expenses; and
- o leverage management talent.

To effect this increased concentration, we are selling assets in certain submarkets and intend to redeploy the proceeds from those sales to develop and redevelop communities currently under construction or reconstruction. Pending such redeployment, we will generally use the proceeds from the sale of these

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

communities to reduce amounts outstanding under our variable rate unsecured credit facility. We sold the following communities during 1999 and 2000:

	Number of communities	Apartment homes	Net proceeds
1999			
Communities sold	16	4,464	\$ 255,6
Participating mortgage note sold	N/A	N/A	\$ 25,3
2000			
Communities sold	8	1,932	\$ 124,3

Since January 1, 2001, we have sold one additional community containing 226 apartment homes in connection with our capital redeployment strategy. The net proceeds from the sale of this community were approximately \$14,532,000. We intend to dispose of additional assets as described more fully under "Future Financing and Capital Needs."

Development, Redevelopment and Acquisition Activities. We began the development of six new communities during 2000. These communities are expected to contain a total of 1,520 apartment homes upon completion, and the total investment, including land acquisition costs, is projected to be approximately \$331,900,000. Also, we completed the development of six new communities containing a total of 1,209 apartment homes for a total investment of \$175,200,000.

We also acquired three land parcels during 2000 on which construction has not yet commenced and entered into a land lease agreement on a fourth parcel. We expect to develop four new communities containing a

39

total of 826 apartment homes on these parcels. The total investment in these communities, including land acquisition costs of \$19,170,000, is projected to be approximately \$195,000,000. In addition, we continue to hold three parcels of land purchased prior to January 2000 and expect to develop three new communities containing 604 apartment homes on these parcels.

We completed the redevelopment of four communities containing 1,455 apartment homes during 2000 for a total investment in redevelopment (i.e. excluding acquisition costs) of \$40,300,000.

As of March 1, 2001, we had acquired seven communities, containing 1,960 apartment homes, since the beginning of 2000 for approximately \$252,400,000. We acquired six of these communities in connection with a forward purchase agreement signed in 1997 with an unaffiliated party.

The development and redevelopment of communities involves risks that the investment will fail to perform in accordance with expectations. See "Risks of Development and Redevelopment" in Item 2 of this report for our discussion of these and other risks inherent in developing or redeveloping communities.

40

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Results of Operations and Funds from Operations

A comparison of our operating results for the years ended December 31, 2000 and December 31, 1999 as well as a comparison of our operating results for the years ended December 31, 1999 and December 31, 1998 follows:

	2000	1999	\$ Change	% Change	1999
	-----	-----	-----	-----	-----
Revenue:					
Rental income	\$ 571,943	\$ 504,567	\$ 67,376	13.4%	\$ 504,567
Management fees	1,051	1,176	(125)	(10.6%)	1,176
Other income	401	236	165	69.9%	236
	-----	-----	-----	-----	-----
Total revenue	573,395	505,979	67,416	13.3%	505,979
	-----	-----	-----	-----	-----
Expenses:					
Operating expenses, excluding property taxes	142,664	135,517	7,147	5.3%	135,517
Property taxes	46,958	42,701	4,257	10.0%	42,701
	-----	-----	-----	-----	-----
Total operating expenses	189,622	178,218	11,404	6.4%	178,218
	-----	-----	-----	-----	-----
Net Operating Income	383,773	327,761	56,012	17.1%	327,761
Other Expenses:					
Interest expense	83,609	74,699	8,910	11.9%	74,699
Depreciation and amortization	122,610	109,759	12,851	11.7%	109,759
General and administrative	13,013	9,592	3,421	35.7%	9,592
Non-recurring charges	--	16,782	(16,782)	--	16,782
	-----	-----	-----	-----	-----
Total other expenses	219,232	210,832	8,400	4.0%	210,832
	-----	-----	-----	-----	-----
Equity in income of unconsolidated joint ventures	2,428	2,867	(439)	(15.3%)	2,867
Interest income	4,764	7,362	(2,598)	(35.3%)	7,362
Minority interest in consolidated partnerships	(1,908)	(1,975)	67	3.4%	(1,975)
	-----	-----	-----	-----	-----
Income before gain on sale of communities and extraordinary item	169,825	125,183	44,642	35.7%	125,183
Gain on sale of communities	40,779	47,093	(6,314)	(13.4%)	47,093
	-----	-----	-----	-----	-----
Income before extraordinary item	210,604	172,276	38,328	22.2%	172,276
Extraordinary item	--	--	--	--	--
	-----	-----	-----	-----	-----
Net income	210,604	172,276	38,328	22.2%	172,276
Dividends attributable to preferred stock	(39,779)	(39,779)	--	--	(39,779)
	-----	-----	-----	-----	-----
Net income available to common stockholders	\$ 170,825	\$ 132,497	\$ 38,328	28.9%	\$ 132,497
	=====	=====	=====	=====	=====

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Comparison of Year Ended December 31, 2000 to Year Ended December 31, 1999

Net income available to common stockholders increased \$38,328,000 (28.9%) to \$170,825,000 for the year ended December 31, 2000 compared to \$132,497,000 for the preceding year. Excluding non-recurring charges and gain on sale of communities, net income available to common stockholders increased by \$27,860,000 for the year ended December 31, 2000 compared to the preceding year. The increase in net income, as adjusted, for the year ended December 31, 2000 is primarily attributable to additional operating

41

income from newly developed and redeveloped communities as well as growth in operating income from Established Communities.

As discussed in "Recent Developments - Sales of Existing Communities" and "Future Financing and Capital Needs," we have funded a significant portion of our development and redevelopment activities since 1998 through the sale of assets in certain markets where we have a limited presence. The short-term effect of a sale of a community is that net operating income will be negatively impacted because that community's contribution to net operating income has been eliminated and the development or redevelopment community in which the proceeds from the sale are being invested is not yet complete. Interest expense will also decrease as the proceeds from the sale of communities are initially used to repay amounts outstanding on our unsecured credit facility. The historical effect of this strategy has been that net operating income attributable to newly developed and redeveloped communities is higher than net operating income of assets identified for sale. We have generated approximately \$405 million in net proceeds from the sale of assets during 1999 and 2000, which represents approximately 10% of our total real estate assets as of December 31, 2000.

The increase in net operating income of \$56,012,000 for the year ended December 31, 2000 as compared to 1999 is attributable to:

- o an increase of \$50,254,000 related to communities where development activities, redevelopment activities or acquisitions were completed subsequent to January 1, 1999;
- o an increase of \$22,162,000 related to Established Communities;
- o a decrease of \$19,629,000 related to communities sold subsequent to January 1, 1999; and
- o an increase of \$3,225,000 related to all other communities.

Depreciation expense is impacted by the timing of asset sales and the completion of development or redevelopment activities. Gain on sale of communities is impacted by the number of assets sold in a given period and the carrying value of those assets.

Rental income increases are primarily the result of our disposition and capital redeployment strategy discussed above and improved operating results related to Established Communities.

Overall Portfolio - The increase in rental income (\$67,376,000 or 13.4%) is primarily due to an increase in the weighted average number of occupied apartment homes as well as an increase in the weighted average monthly rental income per occupied apartment home. The weighted average number of occupied apartment homes increased from 33,726 apartment homes for the year ended December 31, 1999 to 34,470 apartment homes for the year ended December 31, 2000 primarily as a result of development, redevelopment and

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

acquisitions of new communities, offset by the sale of communities in 1999 and 2000. For the year ended December 31, 2000, the weighted average monthly revenue per occupied apartment home increased \$139 (11.2%) to \$1,381 compared to \$1,242 for the preceding year.

Established Communities - Rental revenue increases (\$25,911,000 or 8.9%) are due to market conditions that allowed for higher average rents and higher economic occupancy levels. For the year ended December 31, 2000, weighted average monthly revenue per occupied apartment home increased \$99 (7.8%) to \$1,376 compared to \$1,277 for the preceding year. The average economic occupancy increased from 96.6% for the year ended December 31, 1999 to 97.7% for the year ended December 31, 2000. Rental income from Established Communities in our Northern California region, which accounted for 34.1% of all Established Community rental income in 2000, increased by 12.4% from the preceding year.

42

Management fees decreases (\$125,000 or 10.6%) are primarily due to a decline in the number of communities that we manage for third-parties.

Operating expenses, excluding property taxes increases (\$7,147,000 or 5.3%) are primarily a result of our disposition and capital redeployment strategy discussed above, and an increase in expense related to Established Communities. Maintenance, insurance and other costs associated with Development and Redevelopment Communities are expensed as communities move from the initial construction and lease-up phase to the stabilized operating phase.

Established Communities - Higher operating expenses, excluding property taxes (\$2,754,000 or 4.7%) are primarily the result of higher payroll, insurance, redecorating, and maintenance costs offset by lower utility and marketing costs.

Property tax increases (\$4,257,000 or 10.0%) are primarily the result of our disposition and capital redeployment strategy discussed above and an increase in operating expense related to Established Communities. Property taxes on Development and Redevelopment Communities are expensed as communities move from the initial construction and lease-up phase to the stabilized operating phase.

Established Communities - property tax increases (\$1,005,000 or 4.1%) are primarily a result of an adjustment in 1999 to eliminate accrued but unassessed taxes related to previously renovated communities. In addition, payments were made during 2000 in resolution of a dispute over property tax calculations from 1997 to present for one of our communities in the Northeast region.

Interest expense increases (\$8,910,000 or 11.9%) are primarily attributable to the \$136 million increase in total debt from December 31, 1999 to December 31, 2000, an increase in short-term interest rates in 2000 and a decrease in capitalized interest. Interest expense also increased from the issuance of unsecured notes, which reflects our strategy to mitigate the risk of floating rate debt by repaying floating rate debt under our unsecured credit facility (with relatively lower current interest rates) with fixed rate unsecured debt that has a higher current interest rate and a longer term to maturity.

General and administrative increases (\$3,421,000 or 35.7%) are primarily attributable to an increase in consulting costs as well as compensation expense for a senior officer, whose salary was expensed in 2000 but capitalized in 1999 while he served the company in a different capacity. Cost savings attained from a management reorganization in the first quarter of 1999 partially offset the

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

increase in expense.

Equity in income of unconsolidated joint ventures represents our share of net income or loss from joint ventures.

Interest income decreases (\$2,598,000 or 35.3%) are primarily from a decrease in interest from participating mortgage notes, including the Fairlane Woods participating mortgage note sold in the fourth quarter of 1999.

Gain on sale of communities decreases (\$6,314,000 or 13.4%) are due to a decrease in the number and asset value of communities sold during 2000 as compared to 1999.

Comparison of Year Ended December 31, 1999 to Year Ended December 31, 1998

Net income available to common stockholders increased \$37,094,000 (38.9%) to \$132,497,000 for the year ended December 31, 1999 compared to \$95,403,000 for the preceding year. Excluding non-recurring charges, gain on sale of communities and extraordinary items, net income available to common stockholders increased by \$31,808,000 for the year ended December 31, 1999 compared to the preceding year. The increase in net income, as adjusted, for the year ended December 31, 1999 is primarily

43

attributable to additional operating income from communities gained from the merger of Avalon Properties and Bay Apartment Communities during June 1998. Additional operating income from newly developed or redeveloped communities and growth in operating income from Established Communities also contributed to the increase in net income.

Rental income increases are primarily attributable to revenue from additional communities gained from the merger and secondarily the result of our disposition and capital redeployment strategy discussed above, and improved operating results related to Established Communities.

Overall Portfolio - The increase in rental income (\$134,622,000 or 36.4%) is primarily due to an increase in the weighted average number of occupied apartment homes from 28,333 apartment homes for the year ended December 31, 1998 to 33,726 apartment homes for the year ended December 31, 1999. This increase is primarily a result of apartment homes from additional communities gained from the merger being part of the portfolio for all of 1999 as well as the development, redevelopment and acquisition of new communities. The increase was partially offset by the sale of communities in 1998 and 1999. For the year ended December 31, 1999, the weighted average monthly revenue per occupied apartment home increased \$160 (14.8%) to \$1,242 compared to \$1,082.

Established Communities, on a pro forma basis, assuming the merger had occurred on January 1, 1998 - Rental revenue increased \$10,114,000 (4.1%) for the year ended December 31, 1999 compared to the preceding year. The increase is due to market conditions that allowed for higher average rents that were partially offset by lower economic occupancy levels. For the year ended December 31, 1999, weighted average monthly revenue per occupied apartment home increased \$52 (4.4%) to \$1,226 compared to \$1,174 for the preceding year. The average economic occupancy decreased from 96.9% for the year ended December 31, 1998 to 96.6% for the year ended December 31, 1999. Rental income increases from Established Communities in our Northern California region, which accounted for 37.4% of all Established Community rental income in 1999, were significantly less than

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

other regions. During late 1998 and much of 1999, the Northern California sub-markets dependent on Silicon Valley employment softened. These sub-markets experienced reduced rental rate growth and occupancy declines as compared to other Northern California sub-markets and our other markets as a whole.

Management fees decreases (\$201,000 or 14.6%) are primarily due to a decline in the number of communities that we manage for third parties.

Operating expense, excluding property taxes increases (\$31,171,000 or 29.9%) are primarily due to operating expenses from additional communities gained from the merger and secondarily the result of our disposition and capital redeployment strategy discussed above and improved operating results related to Established Communities. Maintenance, insurance and other costs associated with Development and Redevelopment Communities are expensed as communities move from the initial construction and lease-up phase to the stabilized operating phase.

Established Communities, on a pro forma basis, assuming the merger had occurred on January 1, 1998 - Operating expenses, excluding property taxes increased \$1,821,000 (3.7%) to \$50,912,000 for the year ended December 31, 1999 compared to \$49,091,000 for the preceding year. The net changes are the result of higher redecorating, maintenance, payroll and administrative costs offset by lower utility, marketing, and insurance costs.

Property tax increases (\$10,926,000 or 34.4%) are primarily due to expenses from additional communities gained from the merger and secondarily the result of our disposition and capital redeployment strategy discussed above and improved operating results related to Established Communities. Property taxes on

44

Development and Redevelopment Communities are expensed as communities move from the initial construction and lease-up phase to the stabilized operating phase.

Established Communities, on a pro forma basis, assuming the merger had occurred on January 1, 1998 - Property taxes decreased \$30,000 (0.1%) to \$21,197,000 for the year ended December 31, 1999 compared to \$21,227,000 for the preceding year. The decrease is primarily a result of revised base year tax assessments for previously renovated communities, which resulted in supplemental taxes that were lower than those originally projected.

Interest expense increases (\$20,049,000 or 36.7%) are primarily attributable to approximately \$600 million of debt assumed in connection with the merger, offset by an increase in capitalized interest.

Depreciation expense is impacted by the timing of asset sales and the completion of development or redevelopment activities.

General and administrative increases (\$468,000 or 5.1%) are primarily due to additional overhead from the combination of the two companies and related organizational structures, partially offset by a reorganization in February 1999 that reduced the management structure of the merged company.

Equity in income of unconsolidated joint ventures represents our share of net income from joint ventures.

Interest income increases (\$3,854,000 or 109.9%) are primarily from an increase in interest from participating mortgage notes, including the Fairlane Woods participating mortgage note acquired in the third quarter of 1998. The Fairlane Woods promissory note was sold in the fourth quarter of 1999.

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Gain on sale of communities increases (\$21,823,000 or 86.4%) are due to an increase in the number and asset value of communities sold during 1999 as compared to 1998 as a result of the disposition strategy we implemented in the third quarter of 1998.

Funds from Operations

We consider Funds from Operations, or FFO, to be an appropriate measure of our operating performance because it helps investors understand our ability to incur and service debt and to make capital expenditures. We believe that to understand our operating results, FFO should be examined with net income as presented in the Consolidated Statements of Operations included elsewhere in this report. FFO for 2000 is determined based on a definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts(R) (NAREIT) in October 1999, and is defined as:

- o net income or loss computed in accordance with generally accepted accounting principles (GAAP), except that excluded from net income or loss are gains or losses on sales of property and extraordinary (as defined by GAAP) gains or losses on debt restructuring;
- o plus depreciation of real estate assets; and
- o after adjustments for unconsolidated partnerships and joint ventures.

FFO does not represent cash generated from operating activities in accordance with GAAP. Therefore it should not be considered an alternative to net income as an indication of our performance. FFO should also not be considered an alternative to net cash flows from operating activities as determined by GAAP as a measure of liquidity. Additionally, it is not necessarily indicative of cash available to fund cash needs. Further, FFO as calculated by other REITs may not be comparable to our calculation of FFO.

45

For the year ended December 31, 2000, FFO increased to \$252,013,000 from \$196,058,000 for the comparable period of the preceding year. This increase is primarily attributable to additional operating income from newly developed and redeveloped communities as well as growth in operating income from Established Communities.

FFO previously reported for the year ended December 31, 1999 excluded the effect on net income of a non-recurring restructuring charge of \$16,076,000, and Year 2000 remediation costs of \$706,000 in conformance with the NAREIT definition of FFO calculations then in effect, or the original definition. NAREIT issued a White Paper dated October 1999 that clarified the definition of FFO and the treatment of certain non-recurring charges. The clarified definition includes the effect on net income of non-recurring charges in the calculation of FFO. Although we believe the comparison of FFO using the original definition represents a better guide to investors of comparable operations and growth between years, both FFO calculations are presented below for the years ended December 31, 2000 and 1999 (dollars in thousands):

Years ended	
-----	-----
2000	1999
-----	-----

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Net income	\$ 210,604	\$ 172,276
Preferred dividends	(39,779)	(39,779)
Depreciation - real estate assets	119,416	107,928
Joint venture adjustments	792	751
Minority interest expense	1,759	1,975
Gain on sale of communities	(40,779)	(47,093)
	-----	-----
Funds from Operations - Clarified Definition (1)	\$ 252,013	\$ 196,058
Non-recurring charges (2)	--	16,782
	-----	-----
Funds from Operations - Original Definition (3)	\$ 252,013	\$ 212,840
	=====	=====
Net cash provided by operating activities	\$ 294,818	\$ 250,066
	=====	=====
Net cash used in investing activities	\$(282,584)	\$(264,619)
	=====	=====
Net cash provided by financing activities	\$ 37,379	\$ 13,284
	=====	=====

- (1) Represents FFO calculated in accordance with NAREIT's October 1999 White Paper on FFO. Our calculation of FFO in accordance with NAREIT's clarified definition of FFO includes the effect on earnings of non-recurring charges for certain management and other organizational changes and Year 2000 remediation costs.
- (2) Consists of \$16,076 related to management and other organizational changes announced during durring 1998 and \$706 for Year 2000 remediation costs. Previously, the effect on earnings of non-recurring charges for certain management and other organizational changes and Year 2000 remediation costs were excluded from the calculation of FFO.
- (3) FFO calculated based on NAREIT's definition of FFO prior to the issuance of the October 1999 White Paper on FFO.

Capitalization of Fixed Assets and Community Improvements

Our policy with respect to capital expenditures is generally to capitalize only non-recurring expenditures. We capitalize improvements and upgrades only if the item:

- o exceeds \$15,000;
- o extends the useful life of the asset; and
- o is not related to making an apartment home ready for the next resident.

46

Under this policy, virtually all capitalized costs are non-recurring, as recurring make-ready costs are expensed as incurred. Recurring make-ready costs include the following:

- o carpet and appliance replacements;
- o floor coverings;
- o interior painting; and
- o other redecorating costs.

We capitalize purchases of personal property, such as computers and furniture, only if the item is a new addition and the item exceeds \$2,500. We generally

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

expense purchases of personal property made for replacement purposes. The application of these policies for the year ended December 31, 2000 resulted in non-revenue generating capitalized expenditures for Stabilized Communities of approximately \$225 per apartment home. For the year ended December 31, 2000, we charged to maintenance expense, including carpet and appliance replacements, related to Stabilized Communities approximately \$1,145 per apartment home. We anticipate that capitalized costs per apartment home will gradually rise as the average age of our communities increases.

Liquidity and Capital Resources

Liquidity. The primary source of liquidity is our cash flows from operations. Operating cash flows have historically been determined by:

- o the number of apartment homes;
- o rental rates;
- o occupancy levels; and
- o our expenses with respect to these apartment homes.

The timing, source and amount of cash flows provided by financing activities and used in investing activities are sensitive to the capital markets environment, particularly to changes in interest rates that are charged to us as changes in interest rates affect our decision as to whether to issue debt securities, borrow money and invest in real estate. Thus, changes in the capital markets environment may affect our plans for the undertaking of construction and development as well as acquisition activity.

Cash and cash equivalents increased \$49,613,000 to \$57,234,000 for the year ended December 31, 2000 compared to a decrease in cash and cash equivalents of \$1,269,000 to \$7,621,000 for the year ended December 31, 1999.

- o Net cash provided by operating activities totaled \$294,818,000 for the year ended December 31, 2000, an increase of \$44,752,000 provided over the same period of 1999. The increase was primarily attributable to additional operating income from newly developed and redeveloped communities as well as growth in operating income from Established Communities.
- o Net cash used in investing activities totaled \$282,584,000 for the year ended December 31, 2000, an increase of \$17,965,000 used over the same period of 1999. The increase was primarily due to a reduction in the proceeds from the sale of communities.
- o Net cash provided by financing activities totaled \$37,379,000 for the year ended December 31, 2000, an increase of \$24,095,000 over the same period of 1999. The increase is primarily due to increased sales of unsecured notes partially offset by additional dividends paid and increased repayments of the unsecured credit facility.

47

Cash and cash equivalents decreased \$1,269,000 to \$7,621,000 for the year ended December 31, 1999 compared to an increase of \$2,168,000 to \$8,890,000 for the year ended December 31, 1998.

- o Net cash provided by operating activities totaled \$250,066,000 for the year ended December 31, 1999, an increase of \$56,588,000 provided over the same period of 1998. The increase was primarily due to an increase in operating income from additional communities gained from the merger, and additional operating income from newly developed and redeveloped communities as well as growth in operating income from Established Communities.

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

- o Net cash used in investing activities totaled \$264,619,000 for the year ended December 31, 1999, a decrease of \$353,066,000 used over the same period of 1998. The decrease in expenditures reflected increased sales of communities and decreased acquisitions, offset by increased construction and reconstruction activity. The decrease in acquisitions was attributable to a shift in our investment focus away from acquisitions and towards development opportunities that offer higher projected yields, primarily in response to the lack of available properties that met our increased yield requirements and the decrease in availability of cost-effective capital.
- o Net cash provided by financing activities totaled \$13,284,000 for the year ended December 31, 1999, a decrease of \$413,091,000 over the same period of 1998. The decrease was primarily due to our development activities increasingly being funded through the sale of existing communities as opposed to incurring debt or selling equity. This resulted in a reduction in the sale of unsecured notes as well as a reduction of outstanding amounts under our unsecured credit facility as proceeds from the sale of communities are initially used to repay amounts outstanding on our unsecured credit facility. Also, dividends paid increased as a result of additional common and preferred shares issued in connection with the merger.

We regularly review our short and long-term liquidity needs and the adequacy of Funds from Operations, as defined above, and other expected liquidity sources to meet these needs. We believe our principal short-term liquidity needs are to fund:

- o normal recurring operating expenses;
- o debt service payments;
- o the distributions required with respect to preferred stock;
- o the minimum dividend payments required to maintain our REIT qualification under the Internal Revenue Code of 1986; and
- o development and redevelopment activity in which we are currently engaged.

We anticipate that we can fully satisfy these needs from a combination of cash flows provided by operating activities and capacity under our unsecured credit facility.

We believe our principle long-term liquidity needs are the repayment of medium and long-term debt. We anticipate that no significant portion of the principal of any indebtedness will be repaid prior to maturity. If we do not have funds on hand sufficient to repay our indebtedness, it will be necessary for us to refinance this debt. This refinancing may be accomplished through additional debt financing, which may be collateralized by mortgages on individual communities or groups of communities, by uncollateralized private or public debt offerings or by additional equity offerings. We also anticipate having significant retained cash flow in each year such that some or all of any debt maturity can be satisfied from retained cash. Although we believe we will have the capacity to meet our long-term liquidity needs, we cannot assure you that additional debt financing or debt or equity offerings will be available or, if available, that they will be on terms we consider satisfactory.

Capital Resources. We intend to match the long-term nature of our real estate assets with long-term cost-effective capital to the extent permitted by prevailing market conditions. We have raised approximately \$625 million in capital market offerings since January 1999:

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Date	Description of Offerings
January 1999	\$125 million medium-term notes
July 1999	\$150 million medium-term notes
July 2000	\$150 million medium-term notes
December 2000	\$200 million medium-term notes

We follow a focused strategy to help facilitate uninterrupted access to capital. This strategy includes:

- o hiring, training and retaining associates with a strong resident service focus, which should lead to higher rents, lower turnover and reduced operating costs;
- o managing, acquiring and developing upscale communities in locations where the availability of zoned and entitled land is limited to provide consistent, sustained earnings growth;
- o operating in markets with growing demand, as measured by household formation and job growth, and high barriers-to-entry. We believe these characteristics generally combine to provide a favorable demand-supply balance, which we believe will create a favorable environment for future rental rate growth while protecting existing and new communities from new supply. We expect this strategy to result in a high level of quality to the revenue stream;
- o maintaining a conservative capital structure, largely comprised of equity, and with modest, cost-effective leverage. We generally avoid secured debt except in order to obtain low cost, tax-exempt debt. We believe such a structure promotes an environment where current credit rating levels can be maintained;
- o following accounting practices that provide a high level of quality to reported earnings; and
- o providing timely, accurate and detailed disclosures to the investment community.

We believe these strategies provide a disciplined approach to capital access to help position us to fund portfolio growth.

Capital market conditions over the past several years have limited our access to cost-effective capital. See "Future Financing and Capital Needs" for a discussion of our response to the current capital markets environment. The following is a discussion of specific capital transactions, arrangements and agreements.

Variable Rate Unsecured Credit Facility

Our unsecured revolving credit facility is furnished by a consortium of banks and provides \$600,000,000 in short-term credit. We pay these banks an annual facility fee of \$900,000 in equal quarterly installments. The unsecured credit facility bears interest at varying levels tied to the London Interbank Offered Rate (LIBOR) based on ratings levels achieved on our unsecured notes and on a maturity selected by us. The current stated pricing is LIBOR plus 0.60% per annum. The unsecured credit facility matures in July 2001, however there are two one-year extension options, the first at our sole discretion and the second with the consent of the consortium of banks. Therefore, we may extend the maturity to at least July 2002. A competitive bid option is available for borrowings of up to \$400,000,000. This option allows banks that are part of the lender consortium to bid to provide us loans at a rate that is lower than the stated pricing provided by the unsecured credit facility. The competitive bid option may result in lower pricing if market conditions allow. Pricing under the competitive bid option resulted in average pricing of LIBOR plus 0.50% for balances most recently placed under the competitive bid option. At March 1, 2001, \$0 was outstanding, \$82,753,000 was used to provide letters of credit and \$517,247,000

was available for

49

borrowing under the unsecured credit facility. We intend to use borrowings under the unsecured credit facility for:

- o capital expenditures;
- o construction, development, reconstruction and redevelopment costs;
- o acquisitions;
- o credit enhancement for tax-exempt bonds; and
- o working capital purposes.

Interest Rate Protection Agreements

We are not a party to any long-term interest rate agreements, other than interest rate protection and swap agreements on approximately \$177 million of our variable rate tax-exempt indebtedness. We intend, however, to evaluate the need for long-term interest rate protection agreements as interest rate market conditions dictate, and we have engaged a consultant to assist in managing our interest rate risks and exposure.

Financing Commitments and Transactions Completed

In July 2000, we issued \$150,000,000 of unsecured medium-term notes. The notes have a coupon rate of 8.25% and will mature on July 15, 2008. We used the net proceeds of approximately \$148,989,000 to repay amounts outstanding under our unsecured credit facility.

In December 2000, we issued \$200,000,000 of unsecured medium-term notes. The notes have a coupon rate of 7.50% and will mature on December 15, 2010. We used the net proceeds of approximately \$197,242,000 to repay amounts outstanding under our unsecured credit facility, with the excess proceeds invested in cash equivalents.

Future Financing and Capital Needs

As of December 31, 2000, we had 16 new communities under construction either by us or by unaffiliated third parties with whom we have entered into forward purchase commitments. As of December 31, 2000, a total estimated cost of \$419,914,000 remained to be invested in these communities. In addition, we had four other communities under reconstruction, for which an estimated \$33,559,000 remained to be invested as of December 31, 2000.

Substantially all of the capital expenditures necessary to complete the communities currently under construction and reconstruction will be funded from:

- o the remaining capacity under our \$600,000,000 unsecured credit facility;
- o the net proceeds from sales of existing communities;
- o retained operating cash; and/or
- o the issuance of debt or equity securities.

We expect to continue to fund deferred development costs related to future developments from retained operating cash and borrowings under the unsecured credit facility. We believe these sources of capital will be adequate to take the proposed communities to the point in the development cycle where construction can begin.

We have observed and been impacted by a reduction in the availability of

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

cost-effective capital since the third quarter of 1998. While the capital market environment has improved during 2000, we cannot assure

50

you that cost-effective capital will be available to meet future expenditures required to begin planned reconstruction activity or the construction of the Development Rights. Before planned reconstruction activity or the construction of a Development Right begins, we intend to arrange adequate financing to complete these undertakings, although we cannot assure you that we will be able to obtain such financing. In the event that financing cannot be obtained, we may have to abandon Development Rights, write-off associated pursuit costs and/or forego reconstruction activity. In such instances, we will not realize the increased revenues and earnings that we expected from such pursuits, and the related write-off of costs will increase current period expenses.

Our liquidity could be adversely impacted by expanding development activities and/or reduced capital (as compared to prior years) available from asset sales. To meet the balance of our liquidity needs under such conditions, we would need to arrange additional capacity under our existing unsecured credit facility, sell additional existing communities and/or issue additional debt or equity securities. While we believe we have the financial position to expand our short-term credit capacity and support our capital markets activity, we cannot assure you that we will be successful in completing these arrangements, sales or offerings. The failure to complete these transactions on a cost-effective basis could have a material adverse impact on our operating results and financial condition, including the abandonment of deferred development costs and a resultant charge to earnings.

To increase our concentration of communities in selected high barrier-to-entry markets, we are selling assets in certain submarkets and redeploying the proceeds. Under our disposition program, we solicit competing bids from unrelated parties for these individual assets and consider the sales price and tax ramifications of each proposal. We have disposed of nine communities since January 1, 2000 for net proceeds of approximately \$138,924,000. We intend to actively seek buyers for the remaining communities held for sale. However, we cannot assure you that these assets can be sold on terms that we consider satisfactory.

The remaining assets that we have identified for disposition include land, buildings and improvements and furniture, fixtures and equipment. Total real estate, net of accumulated depreciation, of all communities identified for sale at December 31, 2000 totaled \$208,118,000. Certain individual assets are secured by mortgage indebtedness which may be assumed by the purchaser or repaid from our net sales proceeds. Our Consolidated Statements of Operations include net income from the communities held for sale of \$11,568,000 and \$9,171,000 for the years ended December 31, 2000 and 1999, respectively.

Because the proceeds from the sale of communities are used initially to reduce borrowings under our unsecured credit facility, the immediate effect of a sale of a community is to have a negative effect on Funds from Operations. This is because the yield on a community that is sold exceeds the interest rate on the borrowings that are repaid from such net proceeds. Therefore, changes in the number and timing of dispositions, and the redeployment of the resulting net proceeds, may have a material and adverse effect on our Funds from Operations.

51

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Debt Maturities

The following table details debt maturities for the next five years, excluding the unsecured credit facility:

(Dollars in

Community	All-In interest rate (1)	Principal maturity date	Balance Outstanding ----- 12-31-99	Balance Outstanding ----- 12-31-00
Tax-Exempt Bonds				
Fixed Rate				
Avalon at Foxchase I	5.88%	Nov-2007	\$ 16,800	\$ 16,800
Avalon at Foxchase II	5.88%	Nov-2007	9,600	9,600
Fairway Glen	5.88%	Nov-2007	9,580	9,580
CountryBrook	7.87%	Mar-2012	19,264	18,934
Waterford	5.88%	Aug-2014	33,100	33,100
Avalon at Mountain View	5.88%	Mar-2017	18,300	18,300
Avalon at Dulles	7.04%	Jul-2024	12,360	12,360
Avalon at Symphony Glen	7.00%	Jul-2024	9,780	9,780
Avalon View	7.55%	Aug-2024	18,795	18,465
Avalon at Lexington	6.56%	Feb-2025	14,602	14,347
Avalon at Nob Hill	5.80%	Jun-2025	20,263	20,013
Avalon at Mission Viejo	5.50%	Jun-2025	7,445	7,354
Avalon Campbell	6.48%	Jun-2025	37,535	36,981
Avalon Pacifica	6.48%	Jun-2025	17,026	16,775
Barrington Hills	6.48%	Jun-2025	12,843	-- (2)
Crossbrook	6.48%	Jun-2025	8,273	8,156
Avalon Knoll	6.95%	Jun-2026	13,580	13,393
Avalon Landing	6.85%	Jun-2026	6,721	6,626
Avalon Fields	7.05%	May-2027	11,756	11,609
Avalon West	7.73%	Dec-2036	8,632	8,579
			-----	-----
			306,255	290,752
Variable Rate				
Avalon Devonshire		Dec-2025	27,305	27,305
Avalon at Fairway Hills I		Jun-2026	11,500	11,500
Avalon at Laguna Niguel		Mar-2009	10,400	10,400
Avalon Greenbriar		May-2026	18,755	18,755
			-----	-----
			67,960	67,960
Conventional Loans:				
Fixed Rate				
\$100 Million unsecured notes	7.375%	Sep-2002	100,000	100,000
\$50 Million unsecured notes	6.25%	Jan-2003	50,000	50,000
\$100 Million unsecured notes	6.50%	Jul-2003	100,000	100,000
\$125 Million medium-term notes	6.58%	Feb-2004	125,000	125,000
\$100 Million unsecured notes	6.625%	Jan-2005	100,000	100,000
\$50 Million unsecured notes	6.50%	Jan-2005	50,000	50,000
\$150 Million unsecured notes	6.80%	Jul-2006	150,000	150,000
\$110 Million unsecured notes	6.875%	Dec-2007	110,000	110,000
\$50 Million unsecured notes	6.625%	Jan-2008	50,000	50,000
\$150 Million medium-term notes	8.25%	Jul-2008	--	150,000
\$150 Million medium-term notes	7.50%	Aug-2009	150,000	150,000
\$200 Million medium-term notes	7.50%	Dec-2010	--	200,000
Avalon Redmond Place	7.31%	May-2001	11,272	11,042
Avalon Pines	8.00%	Dec-2003	5,226	-- (2)
Avalon at Pruneyard	7.25%	May-2004	12,870	12,870

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Govenor's Square	7.65%	Aug-2004	13,923	--	(2)
Avalon Walk II	8.93%	Aug-2004	12,541	12,300	
			-----	-----	
			1,040,832	1,371,212	
Variable Rate-None			-----	-----	
			--	--	
Total indebtedness - excluding unsecured credit facility			=====	=====	
			\$1,415,047	\$ 1,729,924	

(Dollars in thousands)

Community	Scheduled Maturities	
	2004	2005
-----	-----	-----
Tax-Exempt Bonds		
Fixed Rate		
Avalon at Foxchase I	\$ --	\$ --
Avalon at Foxchase II	--	--
Fairway Glen	--	--
CountryBrook	451	488
Waterford	--	--
Avalon at Mountain View	--	--
Avalon at Dulles	--	--
Avalon at Symphony Glen	--	--
Avalon View	425	455
Avalon at Lexington	326	347
Avalon at Nob Hill	331	355
Avalon at Mission Viejo	121	129
Avalon Campbell	733	786
Avalon Pacifica	332	356
Barrington Hills	--	--
Crossbrook	157	169
Avalon Knoll	246	263
Avalon Landing	124	132
Avalon Fields	193	207
Avalon West	70	75
	-----	-----
	3,509	3,762
Variable Rate		
Avalon Devonshire	--	--
Avalon at Fairway Hills I	--	--
Avalon at Laguna Niguel	--	--
Avalon Greenbriar	--	--
	-----	-----
	--	--
Conventional Loans:		
Fixed Rate		
\$100 Million unsecured notes	--	--
\$50 Million unsecured notes	--	--
\$100 Million unsecured notes	--	--
\$125 Million medium-term notes	125,000	--
\$100 Million unsecured notes	--	100,000
\$50 Million unsecured notes	--	50,000
\$150 Million unsecured notes	--	--
\$110 Million unsecured notes	--	--
\$50 Million unsecured notes	--	--
\$150 Million medium-term notes	--	--

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

\$150 Million medium-term notes	--	--
\$200 Million medium-term notes	--	--
Avalon Redmond Place	--	--
Avalon Pines	--	--
Avalon at Pruneyard	12,870	--
Govenor's Square	--	--
Avalon Walk II	11,433	--
	-----	-----
	149,303	150,000
	-----	-----
Variable Rate-None	--	--
	-----	-----
Total indebtedness - excluding unsecured credit facility	\$ 152,812	\$ 153,762
	=====	=====

- (1) Includes credit enhancement fees, facility fees, trustees, etc.
(2) The remaining loan balance was repaid in connection with the disposition of the property during 2000.

Inflation

Substantially all of our leases are for a term of one year or less. This may enable us to realize increased rents upon renewal of existing leases or the beginning of new leases. Short-term leases generally minimize our risk from the adverse effects of inflation, although these leases generally permit residents to leave at the end of the lease term without penalty. We believe that short-term leases, combined with relatively consistent demand, results in rents and cash flow which provide an attractive inflation hedge.

52

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain financial market risks, the most predominant being fluctuations in interest rates. Interest rate fluctuations are monitored by us as an integral part of our overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effect on our results of operations. The effect of interest rate fluctuations historically has been small relative to other factors affecting operating results, such as rental rates and occupancy. The specific market risks and the potential impact on our operating results are described below.

Our operating results are affected by changes in interest rates as a result of borrowings under our variable rate unsecured credit facility as well as outstanding bonds with variable interest rates. We had \$67,960,000 and \$246,560,000 in variable rate debt (including mortgage notes payable and the unsecured credit facility) outstanding as of December 31, 2000 and 1999, respectively. If interest rates on the variable rate debt had been 100 basis points higher throughout 2000 and 1999, our annual interest costs would have increased by approximately \$2,500,000 and \$3,300,000, respectively, based on balances outstanding during the applicable years.

We currently use interest rate swap agreements to reduce the impact of interest rate fluctuations on certain variable rate indebtedness. Under swap agreements,

- o we agree to pay to a counterparty the interest that would have been incurred on a fixed principal amount at a fixed interest rate (generally, the interest rate on a particular treasury bond on the date the agreement is entered into, plus a fixed increment), and

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

- o the counterparty agrees to pay to us the interest that would have been incurred on the same principal amount at an assumed floating interest rate tied to a particular market index.

As of December 31, 2000, the effect of swap agreements is to fix the interest rate on approximately \$177 million of our variable rate tax-exempt debt. Furthermore, swap agreements fix the interest rate on approximately \$23 million of unconsolidated variable rate debt as of December 31, 2000. The swap agreements were not electively entered into by us but, rather, were a requirement of either the bond issuer or the credit enhancement provider related to certain of our tax-exempt bond financings. Because the counterparties providing the swap agreements are major financial institutions with AAA credit ratings by the Standard & Poor's Ratings Group and the interest rates fixed by the swap agreements are significantly higher than current market rates for such agreements, we do not believe there is exposure at this time to a default by a counterparty provider.

53

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this Item 8 is included as a separate section of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

Information pertaining to directors and executive officers of the registrant is incorporated herein by reference to the registrant's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 8, 2001.

ITEM 11. EXECUTIVE COMPENSATION

Information pertaining to executive compensation is incorporated herein by reference to the registrant's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 8, 2001.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information pertaining to security ownership of management and certain beneficial owners of the registrant's Common Stock is incorporated herein by reference to the registrant's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 8, 2001.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information pertaining to certain relationships and related transactions is

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

incorporated herein by reference to the registrant's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 8, 2001.

54

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

14(a) (1) Financial Statements

Index to Financial Statements

Consolidated Financial Statements and Financial Statement Schedule:

Report of Independent Accountants F-1

Consolidated Balance Sheets as of December 31, 2000 and 1999 F-2

Consolidated Statements of Operations for
the years ended December 31, 2000, 1999 and 1998 F-3

Consolidated Statements of Stockholders' Equity for
the years ended December 31, 2000, 1999 and 1998 F-4

Consolidated Statements of Cash Flows for
the years ended December 31, 2000, 1999 and 1998 F-5

Notes to Consolidated Financial Statements F-6

14(a) (2) Financial Statement Schedule

Schedule III - Real Estate and Accumulated Depreciation F-28

14(a) (3) Exhibits

The exhibits listed on the accompanying Index to Exhibits are filed as a part of this report.

14(b) Reports on Form 8-K

On October 23, 2000, the Company filed a Report on Form 8-K for the purpose of furnishing, under Item 9 thereof, information that AvalonBay intended to present to current and prospective stockholders and other persons and institutions.

55

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
1.1	-- Distribution Agreement, dated December 21, 1998, among the Company and the Agents, including Administrative Procedures, relating to the MTNs. (Incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

December 21, 1998.)

- 1.2 -- First Amendment, dated as of June 27, 2000, to Distribution Agreement, dated December 21, 1998, among the Company and the Agents. (Incorporated by reference to Exhibit 1.2 to the Company's Current Report on Form 8-K filed on July 11, 2000.)
- 3(i).1 -- Articles of Amendment and Restatement of Articles of Incorporation of AvalonBay Communities, Inc. (the "Company"), dated as of June 4, 1998. (Incorporated by reference to Exhibit 3(i).1 to Form 10-Q of the Company filed August 14, 1998.)
- 3(i).2 -- Articles of Amendment, dated as of October 2, 1998. (Incorporated by reference to Exhibit 3.1(ii) to Form 8-K of the Company filed on October 6, 1998.)
- 3(i).3 -- Articles Supplementary, dated as of October 13, 1998, relating to the 8.70% Series H Cumulative Redeemable Preferred Stock. (Incorporated by reference to Exhibit 1 to Form 8-A of the Company filed October 14, 1998.)
- 3(ii).1 -- Bylaws of the Company, as amended and restated, dated as of July 24, 1998. (Incorporated by reference to Exhibit 3(ii).1 to Form 10-Q of the Company filed August 14, 1998.)
- 3(ii).2 -- Amendment to Bylaws of the Company, dated February 10, 1999. (Incorporated by reference to Exhibit 3(ii).2 to Form 10-K of the Company filed March 31, 1999.)
- 3(ii).3 -- Amendment to Bylaws of the Company, dated May 5, 1999. (Incorporated by reference to Exhibit 3(ii).3 to Form 10-Q of the Company filed on August 16, 1999.)
- 4.1 -- Indenture of Avalon Properties, Inc. (hereinafter referred to as "Avalon Properties") dated as of September 18, 1995. (Incorporated by reference to Form 8-K of Avalon Properties dated September 18, 1995.)
- 4.2 -- First Supplemental Indenture of Avalon Properties dated as of September 18, 1995. (Incorporated by reference to Avalon Properties' Current Report on Form 8-K dated September 18, 1995.)
- 4.3 -- Second Supplemental Indenture of Avalon Properties dated as of December 16, 1997. (Incorporated by reference to Avalon Properties' Current Report on Form 8-K filed January 26, 1998.)
- 4.4 -- Third Supplemental Indenture of Avalon Properties dated as of January 22, 1998. (Incorporated by reference to Avalon Properties' Current Report on Form 8-K filed on January 26, 1998.)
- 4.5 -- Indenture, dated as of January 16, 1998, between the Company and State Street Bank and Trust Company, as Trustee. (Incorporated by reference to Exhibit 4.1 to Form 8-K of the Company filed on January 21, 1998.)

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

EXHIBIT NO.	DESCRIPTION
4.6	-- First Supplemental Indenture, dated as of January 20, 1998, between the Company and the Trustee. (Incorporated by reference to Exhibit 4.2 to Form 8-K of the Company filed on January 21, 1998.)
4.7	-- Second Supplemental Indenture, dated as of July 7, 1998, between the Company and the Trustee. (Incorporated by reference to Exhibit 4.2 to Form 8-K of the Company filed on July 9, 1998.)
4.8	-- Third Supplemental Indenture, dated as of December 21, 1998 between the Company and the Trustee, including forms of Floating Rate Note and Fixed Rate Note (Incorporated by reference to Exhibit 4.4 to Form 8-K filed on December 21, 1998.)
4.9	-- Amended and Restated Third Supplemental Indenture, dated as of July 10, 2000 between the Company and the Trustee, including forms of Floating Rate Note and Fixed Rate Note. (Incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on July 11, 2000.)
4.10	-- Dividend Reinvestment and Stock Purchase Plan of the Company filed September 14, 1999. (Incorporated by reference to Form S-3 of the Company, File No. 333-87063.)
4.11	-- Amendment to the Company's Dividend Reinvestment and Stock Purchase Plan filed on December 17, 1999. (Incorporated by reference to the Prospectus Supplement filed pursuant to Rule 424(b)(2) of the Securities Act of 1933 on December 17, 1999.)
4.12	-- Shareholder Rights Agreement, dated March 9, 1998 (the "Rights Agreement"), between the Company and First Union National Bank (as successor to American Stock Transfer and Trust Company) as Rights Agent (including the form of Rights Certificate as Exhibit B). (Incorporated by reference to Exhibit 4.1 to Form 8-A of the Company filed March 11, 1998.)
4.13	-- Amendment No. 1 to the Rights Agreement, dated as of February 28, 2000, between the Company and the Rights Agent. (Incorporated by reference to Exhibit 4.2 to Form 8-A/A of the Company filed February 28, 2000.)
10.1+	-- Employment Agreement, dated as of March 9, 1998, between the Company and Richard L. Michaux (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company filed August 14, 1998) and Amendment, dated as of July 30, 1999, to Employment Agreement, dated as of March 9, 1998, between the Company and Richard L. Michaux. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company filed on August 16, 1999.)
10.2+	-- Employment Agreement, dated as of March 9, 1998, between the Company and Robert H. Slater (Incorporated by reference to Exhibit 10.3 to Form 10-Q of the Company filed August 14, 1998) and Amendment, dated as of July 30, 1999, to Employment Agreement, dated as of March 9, 1998, between the Company and Robert H. Slater. (Incorporated by reference to Exhibit 10.3 to Form 10-Q of the Company filed on August 16, 1999.)

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

10.3+ -- Employment Agreement, dated as of March 9, 1998, between the Company and Thomas J. Sargeant. (Incorporated by reference to Exhibit 10.4 to Form 10-Q of the Company filed August 14, 1998.)

57

EXHIBIT
NO.

DESCRIPTION

10.4+ -- Employment Agreement, dated as of March 9, 1998, between the Company and Bryce Blair (Incorporated by reference to Exhibit 10.5 to Form 10-Q of the Company filed August 14, 1998) and Amendment, dated as of July 30, 1999, to Employment Agreement, dated as of March 9, 1998, between the Company and Bryce Blair. (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company filed on August 16, 1999.)

10.5+ -- Employment Agreement, dated as of February 26, 2001, between the Company and Timothy J. Naughton. (Filed herewith.)

10.6+ -- Letters of clarification, dated as of July 30, 1999, to the Employment Agreements of Messrs. Michaux, Blair and Slater. (Incorporated by reference to Exhibit 10.4 to Form 10-Q of the Company filed on August 16, 1999.)

10.7+ -- Letter agreement regarding departure, dated as of August 26, 1999, by and between the Company and Debra L. Shotwell (Incorporated by reference to Exhibit 10.41 to Form 10-K of the Company filed on March 10, 2000) and Employment Agreement, dated as of March 9, 1998, between the Company and Debra L. Shotwell. (Incorporated by reference to Exhibit 10.5 to Form 10-Q of the Company filed May 15, 1998.)

10.8+ -- Letter Agreement regarding departure, dated February 26, 2001, by and between the Company and Robert H. Slater. (Filed herewith.)

10.9+ -- Separation Agreement, dated as of April 15, 1999, by and between the Company and Jeffrey B. Van Horn (Incorporated by reference to Exhibit 10.5 to Form 10-Q of the Company filed on August 16, 1999) and Employment Agreement, dated as of March 9, 1998, between the Company and Jeffrey B. Van Horn. (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company filed May 15, 1998.)

10.10+ -- Separation Agreement, dated as of May 27, 1999, by and between the Company and Charles H. Berman (Incorporated by reference to Exhibit 10.6 to Form 10-Q of the Company filed on August 16, 1999) and Employment Agreement, dated as of March 9, 1998, between the Company and Charles H. Berman. (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company filed August 14, 1998.)

10.11+ -- Mutual Release and Separation Agreement, dated as of March 24, 2000, between the Company and Gilbert M. Meyer. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company filed on May 15, 2000.)

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

- 10.12+ -- Retirement Agreement, dated as of March 24, 2000, between the Company and Gilbert M. Meyer. (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company filed on May 15, 2000.)
- 10.13+ -- Consulting Agreement, dated as of March 24, 2000, between the Company and Gilbert M. Meyer. (Incorporated by reference to Exhibit 10.3 to Form 10-Q of the Company filed on May 15, 2000.)
- 10.14+ -- Avalon Properties, Inc. 1993 Stock Option and Incentive Plan. (Filed herewith.)
- 10.15+ -- Avalon Properties, Inc. 1995 Equity Incentive Plan. (Filed herewith.)

58

EXHIBIT NO.	DESCRIPTION
10.16+ --	Amendment, dated May 6, 1999, to the Avalon Properties Amended and Restated 1995 Equity Incentive Plan. (Incorporated by reference to Exhibit 10.7 to Form 10-Q of the Company filed on August 16, 1999.)
10.17+ --	AvalonBay Communities, Inc. 1994 Stock Incentive Plan, as amended and restated on April 13, 1998, and subsequently amended on July 24, 1998 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed November 16, 1998) and amendment thereto, dated May 6, 1999 (Incorporated by reference to Exhibit 10.8 to Form 10-Q of the Company filed on August 16, 1999).
10.18+ --	1996 Non-Qualified Employee Stock Purchase Plan, dated June 26, 1997, as amended and restated. (Incorporated by reference to Exhibit 99.1 to Post-effective Amendment No. 1 to Form S-8 of the Company filed June 26, 1997, File No. 333-16837.)
10.19+ --	1996 Non-Qualified Employee Stock Purchase Plan - Plan Information Statement dated June 26, 1997. (Incorporated by reference to Exhibit 99.2 to Form S-8 of the company, File No. 333-16837.)
10.20 --	Registration Rights Agreement, dated as of September 23, 1997, between the Company and certain defined Holders of units of limited partnership interests in Bay Pacific Northwest, L.P. (Incorporated by reference to Exhibit 10.2 to Form 8-K of the Company filed October 28, 1997.)
10.21 --	Form of Agreement of Limited Partnership of Bay Countrybrook, L.P., by and among Bay GP, Inc., the Company and certain other defined Persons. (Incorporated by reference to Exhibit 10.5 to Form 8-K/A of the Company filed July 5, 1996.)
10.22 --	Agreement of Limited Partnership of Bay Pacific Northwest, L.P. dated as of September 12, 1997, between the Company and certain other defined Persons. (Incorporated by reference to Exhibit 10.1 to Form 8-K of the Company filed October 28, 1997.)

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

- 10.23+ -- Promissory Note and Pledge and Security Agreement between the Company and Samuel B. Fuller, dated June 15, 2000. (Filed herewith.)
- 10.24 -- Indemnification Agreements between the Company and the Directors of the Company (Incorporated by reference to Exhibit 10.39 to Form 10-K of the Company filed on March 31, 1999.)
- 10.25+ -- The Company's Officer Severance Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 11, 2000.)
- 12.1 -- Statements re: Computation of Ratios.
- 21.1 -- Schedule of Subsidiaries of the Company.
- 23.1 -- Consent of Arthur Andersen LLP.

59

+ Management contract or compensatory plan or arrangement required to be filed or incorporated by reference as an exhibit to this Form 10-K pursuant to Item 14(c) of Form 10-K.

60

SIGNATURES

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

AVALONBAY COMMUNITIES, INC.

Date: March 21, 2001

By: /s/ RICHARD L. MICHAUX

Richard L. Michaux, Executive Chairman
of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 21, 2001

By: /s/ RICHARD L. MICHAUX

Richard L. Michaux, Executive Chairman
of the Board, Director (Principal
Executive Officer)

Date: March 21, 2001

By: /s/ THOMAS J. SARGEANT

Thomas J. Sargeant, Chief Financial
Officer and Executive VP (Principal
Financial and Accounting Officer)

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Date: March 21, 2001 By: /s/ BRUCE A. CHOATE

Bruce A. Choate, Director

Date: March 21, 2001 By: /s/ MICHAEL A. FUTTERMAN

Michael A. Futterman, Director

Date: March 21, 2001 By: /s/ JOHN J. HEALY, JR.

John J. Healy, Jr., Director

Date: March 21, 2001 By: /s/ GILBERT M. MEYER

Gilbert M. Meyer, Director

Date: March 21, 2001 By: /s/ BRENDA J. MIXSON

Brenda J. Mixson, Director

Date: March 21, 2001 By: /s/ LANCE R. PRIMIS

Lance R. Primis, Director

Date: March 21, 2001 By: /s/ ALLAN D. SCHUSTER

Allan D. Schuster, Director

61

Report of Independent Public Accountants

To the Board of Directors and Stockholders of
AvalonBay Communities, Inc.:

We have audited the accompanying consolidated balance sheets of AvalonBay Communities, Inc. (a Maryland corporation, the "Company") and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AvalonBay Communities, Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Real Estate and Accumulated Depreciation is presented for purposes of complying with the rules of the Securities and Exchange Commission and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/S/ ARTHUR ANDERSEN LLP

Vienna, Virginia
January 17, 2001

F-1

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

ASSETS

Real estate:

Land
Buildings and improvements
Furniture, fixtures and equipment

Less accumulated depreciation

Net operating real estate
Construction in progress (including land)
Communities held for sale

Total real estate, net

Cash and cash equivalents
Cash in escrow
Resident security deposits
Investments in unconsolidated real estate joint ventures
Deferred financing costs, net
Deferred development costs
Participating mortgage notes
Prepaid expenses and other assets

Total assets

LIABILITIES AND STOCKHOLDERS' EQUITY

Unsecured notes
Variable rate unsecured credit facility
Mortgage notes payable
Dividends payable
Payables for construction

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Accrued expenses and other liabilities
 Accrued interest payable
 Resident security deposits

Total liabilities

Minority interest of unitholders in consolidated partnerships

Commitments and contingencies

Stockholders' equity:

Preferred stock, \$.01 par value; \$25 liquidation value; 50,000,000
 shares authorized at both December 31, 2000 and 1999; 18,322,700
 shares outstanding at both
 December 31, 2000 and 1999

Common stock, \$.01 par value; 140,000,000 shares authorized at both December 31, 2000
 and 1999; 67,191,542 and 65,758,009 shares both issued and outstanding at
 December 31, 2000 and 1999, respectively

Additional paid-in capital

Deferred compensation

Dividends in excess of accumulated earnings

Total stockholders' equity

Total liabilities and stockholders' equity

See accompanying notes to consolidated financial statements.

F-2

AVALONBAY COMMUNITIES, INC.
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (Dollars in thousands, except per share data)

	Year ended	
	12-31-00	12-31-99
Revenue:		
Rental income	\$ 571,943	\$ 504,567
Management fees	1,051	1,176
Other income	401	236
	573,395	505,979
Expenses:		
Operating expenses, excluding property taxes	142,664	135,517
Property taxes	46,958	42,701
Interest expense	83,609	74,699
Depreciation and amortization	122,610	109,759
General and administrative	13,013	9,592
Non-recurring charges	--	16,782

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Total expenses	408,854	389,050
Equity in income of unconsolidated joint ventures	2,428	2,867
Interest income	4,764	7,362
Minority interest in consolidated partnerships	(1,908)	(1,975)
Income before gain on sale of communities and extraordinary item	169,825	125,183
Gain on sale of communities	40,779	47,093
Income before extraordinary item	210,604	172,276
Extraordinary item	--	--
Net income	210,604	172,276
Dividends attributable to preferred stock	(39,779)	(39,779)
Net income available to common stockholders	\$ 170,825	\$ 132,497
Per common share - basic		
Income before extraordinary item (net of preferred dividends)	\$ 2.58	\$ 2.05
Extraordinary item	--	--
Income available to common stockholders	\$ 2.58	\$ 2.05
Per common share - diluted		
Income before extraordinary item (net of preferred dividends)	\$ 2.53	\$ 2.03
Extraordinary item	--	--
Income available to common stockholders	\$ 2.53	\$ 2.03

See accompanying notes to consolidated financial statements.

F-3

AVALONBAY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands, except share data)

	Shares issued		Amount	
	Preferred Stock	Common Stock	Preferred Stock	Common Stock
Balance at 12-31-97	8,755,000	32,249,577	\$ 88	\$ 3
Net income	--	--	--	--
Dividends declared to common				

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

and preferred stockholders	--	--	--	
Issuance of Common Stock, net of offering costs	--	1,273,554	--	
Issuance of Preferred Stock, net of offering costs	4,000,000	--	40	
Stock acquired in connection with the Merger of Bay and Avalon	6,922,786	29,008,909	69	2
Conversion of Preferred Stock to Common Stock	(1,355,086)	1,355,086	(14)	
Amortization of deferred compensation	--	--	--	
	-----	-----	-----	-----
Balance at 12-31-98	18,322,700	63,887,126	183	6
Net income	--	--	--	
Dividends declared to common and preferred stockholders	--	--	--	
Issuance of Common Stock	--	1,870,883	--	
Amortization of deferred compensation	--	--	--	
	-----	-----	-----	-----
Balance at 12-31-99	18,322,700	65,758,009	183	6
Net income	--	--	--	
Dividends declared to common and preferred stockholders	--	--	--	
Issuance of Common Stock	--	1,433,533	--	
Amortization of deferred compensation	--	--	--	
	-----	-----	-----	-----
Balance at 12-31-00	18,322,700	67,191,542	\$ 183	\$ 6
	=====	=====	=====	=====

	Additional paid-in capital	Deferred compensation	Dividends in excess of accumulated earning	Stockhol equit
	-----	-----	-----	-----
Balance at 12-31-97	\$ 987,638	\$ (3,265)	\$ (23,773)	\$ 961
Net income	--	--	123,535	123
Dividends declared to common and preferred stockholders	--	--	(167,878)	(167)
Issuance of Common Stock, net of offering costs	45,267	(4,346)	--	40
Issuance of Preferred Stock, net of offering costs	96,195	--	--	96
Stock acquired in connection with the Merger of Bay and Avalon	1,256,987	--	--	1,257
Conversion of Preferred Stock to Common Stock	--	--	--	
Amortization of deferred compensation	--	3,255	--	3
	-----	-----	-----	-----
Balance at 12-31-98	2,386,087	(4,356)	(68,116)	2,314
Net income	--	--	172,276	172
Dividends declared to common and preferred stockholders	--	--	(173,667)	(173)
Issuance of Common Stock	56,423	(3,167)	--	53

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Amortization of deferred compensation	--	3,964	--	3
	-----	-----	-----	-----
Balance at 12-31-99	2,442,510	(3,559)	(69,507)	2,370
Net income	--	--	210,604	210
Dividends declared to common and preferred stockholders	--	--	(188,942)	(188)
Issuance of Common Stock	50,523	(3,408)	--	47
Amortization of deferred compensation	--	3,417	--	3
	-----	-----	-----	-----
Balance at 12-31-00	\$ 2,493,033	\$ (3,550)	\$ (47,845)	\$ 2,442
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

F-4

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

	For the year	
	12-31-00	12-31-
	-----	-----
Cash flows from operating activities:		
Net income	\$ 210,604	\$ 172,
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	122,610	109,
Amortization of deferred compensation	3,417	3,
Decrease (increase) in investments in unconsolidated real estate joint ventures	1,280	(1,
Income allocated to minority interest in consolidated partnerships	1,908	1,
Gain on sale of communities	(40,779)	(47,
Extraordinary item	--	
Decrease (increase) in cash in operating escrows	1,144	(
Increase in resident security deposits, accrued interest receivable on participating mortgage notes, prepaid expenses and other assets	(21,059)	(
Increase in accrued expenses, other liabilities and accrued interest payable	15,693	11,
	-----	-----
Net cash provided by operating activities	294,818	250,
	-----	-----
Cash flows used in investing activities:		
Purchase and development of real estate	(432,408)	(516,
Proceeds from sale of communities, net of selling costs	124,392	255,
Sale (acquisition) of participating mortgage note	--	25,
Increase (decrease) in construction payables	1,123	(29,
Increase in cash in investing escrows	(9,076)	
Proceeds received from real estate joint venture partner	33,385	

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Merger costs and related activities	--	
	-----	-----
Net cash used in investing activities	(282,584)	(264,)
	-----	-----
Cash flows from financing activities:		
Proceeds from sale of unsecured notes	350,000	275,
Issuance of common and preferred stock, net of offering costs	36,203	53,
Dividends paid	(185,509)	(172,
Net borrowings under (repayments of) unsecured credit facilities	(178,600)	(150,
Repayments of notes payable	(3,429)	(3,
Payment of deferred financing costs	(4,428)	(3,
Contributions from (distributions to) minority partners	23,142	(3,
Refinancings of notes payable	--	18,
	-----	-----
Net cash provided by financing activities	37,379	13,
	-----	-----
Net increase (decrease) in cash and cash equivalents	49,613	(1,
Cash and cash equivalents, beginning of year	7,621	8,
	-----	-----
Cash and cash equivalents, end of year	\$ 57,234	\$ 7,
	=====	=====
Cash paid during period for interest, net of amount capitalized	\$ 72,712	\$ 60,
	=====	=====

See accompanying notes to consolidated financial statements.

F-5

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

During the year ended December 31, 2000:

- o 1,520 units of limited partnership in DownREIT partnerships, valued at \$60, were issued in connection with an acquisition for cash and units pursuant to a forward purchase contract agreed to in 1997 with an unaffiliated party.
- o 304,602 units of limited partnership in DownREIT partnerships, valued at \$10,926, were redeemed for an equal number of shares of the Company's common stock.
- o Real estate assets valued at \$5,394 were contributed to a limited liability company in exchange for a 25% membership interest.
- o Common and preferred dividends declared but not paid totaled \$47,572.

During the year ended December 31, 1999:

- o 117,178 units of limited partnership in DownREIT partnerships, valued at \$4,614, were issued in connection with an acquisition for cash and units pursuant to a forward purchase contract agreed to in 1997 with an unaffiliated party.
- o 22,623 units of limited partnership in DownREIT partnerships, valued at \$868, were redeemed for an equal number of shares of the Company's common stock.

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

- o Common and preferred dividends declared but not paid totaled \$44,139.

During the year ended December 31, 1998:

- o Avalon Properties, Inc. ("Avalon") merged into Bay Apartment Communities ("Bay"), whereupon Avalon ceased to exist and Bay legally succeeded to all of the assets and liabilities of Avalon. In these financial statements, the merger was accounted for under the purchase method of accounting. Bay, as the surviving legal entity, adopted the historical financial statements of Avalon, and therefore the historical financial statements for Avalon are presented prior to the merger. Bay's assets were recorded in the historical financial statements of Avalon, as of the date of the merger, at an amount equal to Bay's debt outstanding at that time plus the value of capital stock retained by the Bay stockholders, which approximates fair value. As a result, the financial statements presented reflect that, in connection with the merger, the following was assumed or acquired: debt of \$604,663; net other liabilities of \$25,239; cash and cash equivalents of \$1,419; and minority interest of \$9,020.
- o The Company assumed \$10,400 of debt and issued 104,222 units of limited partnership in DownREIT partnerships, valued at \$3,851, in connection with acquisitions.
- o 6,818 units of limited partnership in DownREIT partnerships, valued at \$173, were redeemed for an equal number of shares of the Company's common stock.
- o 950,064 shares of Series A Preferred Stock and 405,022 shares of Series B Preferred Stock were converted into an aggregate of 1,355,086 shares of Common Stock.
- o Common and preferred dividends declared but not paid totaled \$43,323.

F-6

AVALONBAY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share data)

1. Organization and Significant Accounting Policies

Organization and Recent Developments

AvalonBay Communities, Inc. (the "Company," which term is often used to refer to AvalonBay Communities, Inc. together with its subsidiaries) is a Maryland corporation that has elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended. The Company focuses on the ownership and operation of upscale apartment communities in high barrier-to-entry markets of the United States. These markets include Northern and Southern California and selected markets in the Mid-Atlantic, Northeast, Midwest and Pacific Northwest regions of the country.

At December 31, 2000, the Company owned or held a direct or indirect ownership interest in 126 operating apartment communities containing 37,147 apartment homes in twelve states and the District of Columbia, of which four communities containing 2,211 apartment homes were under reconstruction. The Company also owned twelve communities with 3,484 apartment homes under construction and rights to develop an additional 33 communities that, if developed as expected, will contain an estimated 9,091 apartment homes.

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

During the year ended December 31, 2000:

- o The Company acquired six communities containing 1,627 apartment homes for an acquisition price of approximately \$200,500. Five of the communities were acquired pursuant to a forward purchase contract agreed to in 1997 with an unaffiliated party.
- o The Company completed development of six communities, containing 1,209 apartment homes for a total investment of approximately \$168,700.
- o The Company completed redevelopment of four communities, containing 1,455 apartment homes for a total investment in redevelopment (i.e., excluding acquisition costs) of \$40,300.

As further discussed in Note 7, "Communities Held for Sale", the Company has adopted a strategy of funding a portion of the Company's development and redevelopment activities with the proceeds available from the disposition of certain assets in markets that do not meet the Company's long-term strategic direction. In connection with this strategy, the Company sold eight communities in 2000 containing 1,932 apartment homes for net proceeds of approximately \$124,392. During 1999, the Company sold 16 communities containing 4,464 apartment homes and a participating mortgage note secured by a community for net proceeds of approximately \$280,918.

The Company is the surviving corporation from the merger (the "Merger") of Bay Apartment Communities, Inc. ("Bay") and Avalon Properties, Inc. ("Avalon") on June 4, 1998, where Avalon shareholders received a 0.7683 share of common stock of the Company for each share owned of Avalon common stock. The Merger was accounted for under the purchase method of accounting, with the historical financial statements for Avalon presented prior to the Merger. At that time, Avalon ceased to legally exist, and Bay as the surviving legal entity adopted the historical financial statements of Avalon. Consequently, Bay's assets were recorded in the historical financial statements of Avalon at an amount equal to Bay's debt outstanding at that time plus the value of capital stock retained by the Bay stockholders, which approximates fair value. In connection with the Merger, the Company changed its name from Bay Apartment Communities, Inc. to AvalonBay Communities, Inc.

F-7

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned partnerships and certain joint venture partnerships in addition to subsidiary partnerships structured as DownREITs. All intercompany balances and transactions have been eliminated in consolidation.

In each of the partnerships structured as DownREITs, either the Company or one of the Company's wholly-owned subsidiaries is the general partner, and there are one or more limited partners whose interest in the partnership is represented by units of limited partnership interest. For each DownREIT partnership, limited partners are entitled to receive distributions before any distribution is made to the general partner. Although the partnership agreements for each of the DownREITs are different, generally the distributions per unit paid to the holders of units of limited partnership interests approximate the Company's current common stock dividend per share. Each DownREIT partnership has been structured so that it is unlikely the limited partners will be entitled to a distribution greater than the initial distribution provided for in the partnership agreement. The holders of units of limited partnership interest have the right to present each unit of limited partnership interest for redemption for cash equal to the fair market value of a share of the Company's common stock

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

on the date of redemption. In lieu of a cash redemption of a limited partner's unit, the Company may elect to acquire any unit presented for redemption for one share of common stock.

The Company has minority interest investments in three technology companies. Realeum, Inc. ("Realeum"), Broadband Residential ("Broadband"), and Viva Group, Inc. ("Viva") are involved in the development and deployment of property management and leasing automation systems, broadband communications services for multifamily communities, and web based leasing software, respectively. The Company accounts for these unconsolidated entities in accordance with Accounting Principles Board ("APB") Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." The Company applies the equity method of accounting to its investments in Realeum and the cost method of accounting to its investments in Broadband and Viva. As of December 31, 2000, the aggregate investment in Realeum, BroadBand and Viva is \$3,600.

Revenue Recognition

Rental income related to leases is recognized when due from residents. In accordance with the Company's standard lease terms, rental payments are generally due on a monthly basis.

Real Estate

Significant expenditures which improve or extend the life of an asset are capitalized. The operating real estate assets are stated at cost and consist of land, buildings and improvements, furniture, fixtures and equipment, and other costs incurred during their development, redevelopment and acquisition. Expenditures for maintenance and repairs are charged to operations as incurred.

The capitalization of costs during the development of assets (including interest and related loan fees, property taxes and other direct and indirect costs) begins when active development commences and ends when the asset is delivered and a final certificate of occupancy is issued. Cost capitalization during redevelopment of apartment homes (including interest and related loan fees, property taxes and other direct and indirect costs) begins when an apartment home is taken out-of-service for redevelopment and ends when the apartment home redevelopment is completed and the apartment home is placed in-service. The accompanying consolidated financial statements include a charge to expense for unrecoverable deferred development costs related to pre-development communities that are unlikely to be developed.

Depreciation is calculated on buildings and improvements using the straight-line method over their estimated useful lives, which range from seven to thirty years. Furniture, fixtures and equipment are generally depreciated using the straight-line method over their estimated useful lives, which range from three years (primarily computer related equipment) to seven years.

F-8

Lease terms for apartment homes are generally one year or less. Rental income and operating costs incurred during the initial lease-up or post-redevelopment lease-up period are fully recognized as they accrue.

If there is an event or change in circumstance that indicates an impairment in the value of a community, the Company's policy is to assess any impairment in value by making a comparison of the current and projected operating cash flows of the community over its remaining useful life, on an undiscounted basis, to the carrying amount of the community. If such carrying amounts are in excess of the estimated projected operating cash flows of the community, the Company would

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

recognize an impairment loss equivalent to an amount required to adjust the carrying amount to its estimated fair market value. The Company has not recognized an impairment loss in 2000, 1999 or 1998 on any of its real estate.

Income Taxes

The Company elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, for the year ended December 31, 1994 and has not revoked such election. A corporate REIT is a legal entity which holds real estate interests and, if certain conditions are met (including but not limited to the payment of a minimum level of dividends to stockholders), the payment of federal and state income taxes at the corporate level is avoided or reduced. Management believes that all such conditions for the avoidance of taxes have been met for the periods presented. Accordingly, no provision for federal and state income taxes has been made.

The following summarizes the tax components of the Company's common and preferred dividends declared for the years ended December 31, 2000, 1999 and 1998:

	% of common dividends declared for:			
	(AvalonBay) 2000	(AvalonBay) 1999	(AvalonBay, post Merger) 1998	(Avalon, to Me 199
Ordinary income	86%	76%	77%	5
20% rate gain	9%	11%	9%	-
Unrecaptured ss.1250 gain	5%	13%	14%	-
Non-taxable return of capital	--	--	--	4

	% of common dividends declared for:			
	(AvalonBay) 2000	(AvalonBay) 1999	(AvalonBay, post Merger) 1998	(Avalon, to Me 199
Ordinary income	86%	76%	100%	10
20% rate gain	9%	11%	--	-
Unrecaptured ss.1250 gain	5%	13%	--	-
Non-taxable return of capital	--	--	--	-

(1) Information presented for Bay for periods prior to June 4, 1998 is unaudited.

F-9

Deferred Financing Costs

Deferred financing costs include fees and costs incurred to obtain debt

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

financing and are amortized on a straight-line basis, which approximates the effective interest method, over the shorter of the term of the loan or the related credit enhancement facility, if applicable. Unamortized financing costs are written-off when debt is retired before the maturity date. Accumulated amortization on deferred financing costs were \$8,200 and \$7,156 on December 31, 2000 and 1999, respectively.

Cash, Cash Equivalent and Cash in Escrow

Cash and cash equivalents include all cash and liquid investments with an original maturity of three months or less from the date acquired. The majority of the Company's cash, cash equivalents, and cash in escrows is held at major commercial banks.

Earnings per Common Share

In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share", basic earnings per share for the years ended December 31, 2000, 1999 and 1998 is computed by dividing earnings available to common shares (net income less preferred stock dividends) by the weighted average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis. The Company's earnings per common share for the years ended December 31, 2000, 1999 and 1998 are as follows:

	Year ended	
	12-31-00	12-31-99
Basic and Diluted shares outstanding		
Weighted average common shares - basic	66,309,707	64,724,799
Weighted average DownREIT units outstanding	861,755	933,122
Effect of dilutive securities	969,536	452,743
Weighted average common shares and DownREIT units - diluted	68,140,998	66,110,664
Calculation of Earnings per Share - Basic		
Net income available to common stockholders	\$ 170,825	\$ 132,497
Weighted average common shares - basic	66,309,707	64,724,799
Earnings per common share - basic	\$ 2.58	\$ 2.05
Calculation of Earnings per Share - Diluted		
Net income available to common stockholders	\$ 170,825	\$ 132,497
Add: Minority interest of DownREIT unitholders in consolidated partnerships	1,759	1,975
Adjusted net income available to common stockholders	\$ 172,584	\$ 134,472
Weighted average common shares and DownREIT units - diluted	68,140,998	66,110,664

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Earnings per common share - diluted	\$ 2.53	\$ 2.03
	=====	=====

Certain options to purchase shares of common stock in the amount of 7,500, 2,282,192 and 2,643,190 were outstanding during 2000, 1999 and 1998, respectively, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares.

F-10

Non-recurring Charges

In February 1999, the Company announced certain management changes including (i) the departure of three senior officers who became entitled to severance benefits in accordance with the terms of their employment agreements with the Company dated as of March 9, 1998 and (ii) elimination of duplicate accounting functions and related employee departures. The Company recorded a non-recurring charge of \$16,076 in the first quarter of 1999 related to the expected costs associated with this management realignment and certain related organizational adjustments. The non-recurring charge consisted of \$15,476 in severance benefits, \$250 related to costs to eliminate duplicate accounting functions and \$350 in legal fees. As of December 31, 1999, the Company had a remaining liability of approximately \$1,555 relating to these charges. All payments were made prior to December 31, 2000.

The non-recurring charge also includes Year 2000 remediation costs of \$706 that were incurred for the year ended December 31, 1999.

Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS No. 133," and SFAS No. 138, "Accounting for Certain Instruments and Certain Hedging Activities, an amendment of Statement 133," is effective for the Company on January 1, 2001. SFAS No. 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 also requires that a change in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. For the Company's cash flow hedge transactions, changes in the fair value of the derivative instrument will be reported in other comprehensive income. The ineffective portion of all hedges will be recognized in current period earnings. The Company adopted SFAS No. 133 on January 1, 2001 and recorded a cumulative effect adjustment of approximately a \$6 million gain in accumulated other comprehensive income to recognize all derivative instruments at fair value. The Company does not expect a material impact of adoption on its earnings.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on applying generally accepted accounting principles to revenue recognition issues in financial statements. The Company adopted SAB No. 101 effective with the March 31, 2000 reporting period, as required, and the adoption did not have a material effect on the Company's consolidated financial statements.

Use of Estimates

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

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

Reclassifications

Certain reclassifications have been made to amounts in prior years' financial statements to conform with current year presentations.

2. Merger Between Bay and Avalon

As discussed in Note 1, the Company is the surviving corporation from the Merger of Bay and Avalon on June 4, 1998. The following unaudited pro forma information has been prepared as if the Merger and related transactions had

F-11

occurred on January 1, 1998. The pro forma financial information is presented for informational purposes only and is not necessarily indicative of what actual results would have been had the Merger been consummated on January 1, 1998, nor does it purport to represent the results of operations for future periods.

	Year ended (Unaudited) ----- 12-31-98
Pro forma total revenue	\$449,085 =====
Pro forma net income available to common stockholders	\$111,114 =====
Per common share:	
Pro forma net income - basic	\$ 1.74 =====
Pro forma net income - diluted	\$ 1.73 =====

3. Interest Capitalized

Capitalized interest associated with communities under development or redevelopment totaled \$18,328, \$21,888, and \$14,724 for the years ended December 31, 2000, 1999 and 1998, respectively.

4. Mortgage Notes Payable, Unsecured Notes and Unsecured Credit Facility

The Company's mortgage notes payable, unsecured notes and unsecured credit facility are summarized as follows:

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Fixed rate unsecured notes	\$1,335
Fixed rate mortgage notes payable (conventional and tax-exempt)	326
Variable rate mortgage notes payable (tax-exempt)	67

Total mortgage notes payable and unsecured notes	1,729
Variable rate unsecured credit facility	

Total mortgage notes payable, unsecured notes and unsecured credit facility	\$1,729
	=====

Mortgage notes payable are collateralized by certain apartment communities and mature at various dates from May 2001 through December 2036. The weighted average interest rate of the Company's variable rate notes and unsecured credit facility was 5.6% at December 31, 2000. The weighted average interest rate of the Company's fixed rate notes (conventional and tax-exempt) was 7.0% and 6.9% at December 31, 2000 and 1999, respectively.

F-12

The maturity schedule for the Company's unsecured notes consists of the following:

Year of maturity -----	Principal -----	Interest rate -----
2002	\$ 100,000	7.375%
2003	\$ 50,000 \$ 100,000	6.250% 6.500%
2004	\$ 125,000	6.580%
2005	\$ 100,000 \$ 50,000	6.625% 6.500%
2006	\$ 150,000	6.800%
2007	\$ 110,000	6.875%
2008	\$ 50,000 \$ 150,000	6.625% 8.250%
2009	\$ 150,000	7.500%
2010	\$ 200,000	7.500%

The Company's unsecured notes contain a number of financial and other covenants with which the Company must comply, including, but not limited to, limits on the aggregate amount of total and secured indebtedness the Company may have on a consolidated basis and limits on the Company's required debt service payments.

Scheduled maturities of notes payable and unsecured notes are as follows for the years ending December 31:

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Year of maturity -----	Scheduled maturity -----
2001	\$ 14,155
2002	103,342
2003	153,587
2004	152,812
2005	153,762
Thereafter	1,152,266

Total	\$ 1,729,924
	=====

The Company has a \$600,000 variable rate unsecured credit facility (the "unsecured credit facility") with Morgan Guaranty Trust Company of New York, Union Bank of Switzerland and Fleet National Bank serving as co-agents for a syndicate of commercial banks. The unsecured credit facility bears interest at a spread over the London Interbank Offered Rate ("LIBOR") based on rating levels achieved on the Company's unsecured notes and on a maturity selected by the Company. The current stated pricing is LIBOR plus 0.6% per annum (7.2% at December 31, 2000). In addition, the unsecured credit facility includes a competitive bid option (which allows banks that are part of the lender consortium to bid to make loans to the Company at a rate that is lower than the stated rate provided by the unsecured credit facility) for up to \$400,000. The Company is subject to certain customary covenants under the unsecured credit facility, including, but not limited to, maintaining certain maximum leverage ratios, a minimum fixed charges coverage ratio, minimum unencumbered assets and equity levels and restrictions on paying dividends in amounts that exceed 95% of the Company's Funds from Operations, as defined therein. The unsecured credit facility matures in July 2001 and has two, one-year extension options. The first extension is at the Company's sole election and the second extension requires the banks' consent.

F-13

5. Stockholders' Equity

As of both December 31, 2000 and 1999, the Company had authorized for issuance 140,000,000 and 50,000,000 of Common and Preferred Stock, respectively. Dividends on all series of issued Preferred Stock are cumulative from the date of original issue and are payable quarterly in arrears on or before the 15th day of each month as stated in the table below. None of the series of Preferred Stock are redeemable prior to the date stated in the table below, but on or after the stated date, may be redeemed for cash at the option of the Company in whole or in part at a redemption price of \$25 per share, plus all accrued and unpaid dividends, if any. The series of Preferred Stock have no stated maturity and are not subject to any sinking fund or mandatory redemptions. In addition, the series of Preferred Stock are not convertible into any other securities of the Company and may be redeemed solely from proceeds of other capital stock of the Company, which may include shares of other series of preferred stock.

Series -----	Shares outstanding December 31, 2000 -----	Payable quarterly -----	Annual rate -----	Liquidation preference -----
C	2,300,000	March, June, September,	8.50%	\$25

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

		December		
D	3,267,700	March, June, September, December	8.00%	\$25
F	4,455,000	February, May, August, November	9.00%	\$25
G	4,300,000	February, May, August, November	8.96%	\$25
H	4,000,000	March, June, September, December	8.70%	\$25

The Company also has 1,000,000 shares of Series E Junior Participating Cumulative Preferred Stock authorized for issuance pursuant to the Company's Shareholder Rights Agreement. As of December 31, 2000, there were no shares of Series E Preferred Stock outstanding.

6. Investments in Unconsolidated Real Estate Joint Ventures

The Company accounts for investments in unconsolidated real estate entities in accordance with APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." The Company applies the equity method of accounting to an investment in an entity if it has the ability to significantly influence that entity. All other unconsolidated real estate investments are recorded under the cost method of accounting.

At December 31, 2000, the Company's investments in unconsolidated real estate joint ventures consisted of:

- o a 50% limited liability company membership interest in a limited liability company that owns the Falkland Chase community;
- o a 49% general partnership interest in a partnership that owns the Avalon Run community;
- o a 50% limited liability company membership interest in a limited liability company that owns the Avalon Grove community;
- o a 25% limited liability company membership interest in a limited liability company that owns the Avalon Terrace community.

F-14

The following is a combined summary of the financial position of these joint ventures as of the dates presented.

	(Unaudited)	
	12-31-00	12-31-99
	-----	-----
Assets:		
Real estate, net	\$132,832	\$ 94,644
Other assets	10,400	4,874
	-----	-----
Total assets	\$143,232	\$ 99,518
	=====	=====
Liabilities and partners' equity:		
Mortgage notes payable	\$ 48,400	\$ 26,000
Other liabilities	8,656	5,915

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Partners' equity	86,176	67,603
	-----	-----
Total liabilities and partners' equity	\$143,232	\$ 99,518
	=====	=====

The following is a combined summary of the operating results of these joint ventures for the years presented:

	Year ended (Unaudited)		
	12-31-00	12-31-99	12-31-98
	-----	-----	-----
Rental income	\$ 22,222	\$ 20,781	\$ 19,799
Other income	57	26	26
Operating and other expenses	(6,110)	(5,657)	(5,591)
Mortgage interest expense	(1,107)	(773)	(833)
Depreciation and amortization	(3,202)	(3,091)	(3,044)
	-----	-----	-----
Net income	\$ 11,860	\$ 11,286	\$ 10,357
	=====	=====	=====

The Company also holds a 25% limited liability company membership interest in Avalon on the Sound, which is presented on a consolidated basis in the financial statements in accordance with GAAP.

7. Communities Held for Sale

The Company has adopted a strategy of funding a portion of the Company's development and redevelopment activities with the proceeds available from the disposition of certain assets in markets that do not meet its long-term strategic direction. In connection with this strategy, the Company solicits competing bids from unrelated parties for individual assets, and considers the sales price and tax ramifications of each proposal. In 1998, the Company sold seven communities with a total of 2,039 apartment homes in connection with this strategy. Similarly, the Company sold sixteen communities with a total of 4,464 apartment homes and a participating mortgage note secured by a community in 1999.

F-15

The communities sold during 2000 and the respective sales price and net proceeds are summarized below:

Communities	Location	Period of sale	Apartment homes	Debt	Gross sales price
-----	-----	-----	-----	-----	-----
Avalon Chase	Marlton, NJ	1Q00	360	\$ --	\$ 29,700
Avalon Pines	Virginia Beach, VA	2Q00	174	5,177	11,000
Avalon Birches	Chesapeake, VA	2Q00	312	--	21,000
Glen Creek	Morgan Hill, CA	3Q00	138	--	19,050
Avalon Woods	Richmond, VA	3Q00	268	--	12,100
Governor's Square	Sacramento, CA	3Q00	302	13,848	30,250
Avalon Westhaven	Seattle, WA	4Q00	190	--	12,625

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Barrington Hills	Hayward,CA	4Q00	188	12,669	24,360
			-----	-----	-----
Total of all 2000 asset sales			1,932	\$ 31,694	\$160,085
			=====	=====	=====
Total of all 1999 asset sales			4,464	\$ 29,645	\$316,512
			=====	=====	=====
Total of all 1998 asset sales			2,039	\$ 50,030	\$126,200
			=====	=====	=====

The following unaudited pro forma information has been prepared as if the communities sold in connection with the disposition strategy during 2000 and 1999 had been sold as of January 1, 1999. The pro forma financial information is presented for informational purposes only and is not necessarily indicative of what actual results would have been had the dispositions occurred as of January 1, 1999, nor does it purport to represent the results of operations for future periods.

	Year ended 12-31-00 (Unaudited)	Year ended 12-31-99 (Unaudited)
	-----	-----
Pro forma revenue	\$ 562,894	\$ 463,905
	=====	=====
Pro forma net income available to common stockholders	\$ 127,347	\$ 71,459
	=====	=====
Per common share:		
Pro forma net income - basic	\$ 1.92	\$ 1.10
	=====	=====
Pro forma net income - diluted	\$ 1.89	\$ 1.08
	=====	=====

Management intends to market additional communities for sale. However, there can be no assurance that such assets will be sold, or that such sales will prove to be beneficial to the Company. The assets targeted for sale include land, buildings and improvements and furniture, fixtures and equipment, and are recorded at the lower of cost or fair value less estimated selling costs. The Company has not determined a need to recognize a write-down in its real estate to arrive at net realizable value, although there can be no assurance that the Company can sell these assets for amounts that equal or exceed its estimates of net realizable value. At December 31, 2000 and 1999, total real estate, net of accumulated depreciation, subject to sale totaled \$208,118 and \$164,758, respectively. Certain individual assets are secured by mortgage indebtedness which may be assumed by the purchaser or repaid by the Company from the net sales proceeds.

The Company's consolidated statements of operations include net income of the communities held for sale at December 31, 2000 of \$11,568, \$9,171, and \$6,417 for the years ended December 31, 2000, 1999 and 1998, respectively.

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Presale Commitments

The Company occasionally enters into forward purchase commitments with unrelated third parties, which allows the Company to purchase communities upon completion of construction. As of December 31, 2000, the Company has an agreement to purchase four communities with an estimated 1,301 homes for an aggregate purchase price of approximately \$199,200. The Company expects these acquisitions to close at different times through 2002. However, there can be no assurance that such acquisitions will be consummated on the terms currently contemplated or at all, or on the schedule currently contemplated. As of December 31, 2000, the Company had provided interim construction financing of \$123,400 for these communities, leaving the remaining balance to fund under these commitments of \$75,800.

Insured Fire at Development Community

During 2000, a fire occurred at one of the Company's development communities, which was under construction and unoccupied at the time. The book value of the destroyed assets was reduced to zero from a balance of approximately \$13,900 at the time of the fire. The Company has property damage and business interruption insurance and is currently preparing its insurance claim for the cost of replacing the destroyed assets as well as for business interruption losses. At December 31, 2000, the Company had a remaining insurance receivable balance of \$6,900 which was equal to the value of the destroyed assets less insurance recoveries of \$7,000. The Company does not anticipate this event will have a material adverse impact on the financial condition or results of operations of the Company.

Employment Agreements and Arrangements

The Company has employment agreements with four executive officers that it entered into in 1998. In addition, during 2000 and 2001, four other senior officers entered into employment agreements, which are generally similar in structure to those entered into in 1998 but which do not provide for the same level of severance payments. The employment agreements provide for severance payments in the event of a termination of employment (except for a termination by the Company with cause or a voluntary termination by the employee). The initial term of these agreements ends on dates that vary between June 2001 and February 2004. The employment agreements provide for one-year automatic renewals after the initial term unless an advance notice of non-renewal is provided by either party. Upon a change in control, the agreements provide for an automatic extension of up to three years. The employment agreements provide for base salary and incentive compensation in the form of cash awards, stock options and stock grants subject to the discretion of, and attainment of performance goals established by, the Compensation Committee of the Board of Directors.

The 1998 employment agreements also provide that base salary may be increased during the initial term in amounts determined by the Compensation Committee, and that during any renewal term base salary increases will be equal to the greater of 5% of the prior year's base salary, a factor based on increases in the consumer price index, or an amount determined at the discretion of the Compensation Committee.

In May 2000, a senior executive of the Company retired from his management position. Upon retirement, the former officer entered into a three year consulting and non-compete agreement under which the company is paying him an annual fee of approximately \$1,400.

During the fourth quarter of 1999, the Company adopted an Officer Severance Program (the "Program") for the benefit of those officers of the Company who do not have employment agreements. Under the Program, in the event an officer who is not otherwise covered by a severance arrangement is terminated without cause

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

in connection with a change in control (as defined) of the Company, such officer will generally receive a cash lump sum payment equal to the amount of such officer's base salary and cash bonus.

F-17

Legal Contingencies

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

9. Value of Financial Instruments

The Company has historically used interest rate swap agreements (the "Swap Agreements") to reduce the impact of interest rate fluctuations on its variable rate tax-exempt bonds. The Company has not entered into any interest rate hedge agreements or treasury locks for its conventional unsecured debt. The Swap Agreements are not held for trading or other speculative purposes. As of December 31, 2000, the effect of these Swap Agreements is to fix \$176,659 of the Company's tax-exempt debt at an average interest rate of 6.1% with an average maturity of six years.

The off-balance sheet risk in these contracts includes the risk of a counterparty not performing under the terms of the contract. The counterparties to these contracts are major financial institutions with AAA credit ratings by the Standard & Poor's Ratings Group. The Company monitors the credit ratings of counterparties and the amount of the Company's debt subject to swap agreements with any one party. Therefore, the Company believes the likelihood of realizing material losses from counterparty nonperformance is remote.

Cash and cash equivalent balances are held with various financial institutions and may at times exceed the applicable Federal Deposit Insurance Corporation limit. The Company monitors credit ratings of these financial institutions and the concentration of cash and cash equivalent balances with any one financial institution and believes the likelihood of realizing material losses from the excess of cash and cash equivalent balances over insurance limits is remote.

The following estimated fair values of financial instruments were determined by management using available market information and established valuation methodologies, including discounted cash flows. Accordingly, the estimates presented are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

- o Cash equivalents, rents receivable, accounts payable and accrued expenses, and other liabilities are carried at their face amounts, which reasonably approximate their fair values.
- o The Company's unsecured credit facility with an aggregate carrying value of \$0 and \$178,600 at December 31, 2000 and 1999, respectively, approximates fair value.
- o Bond indebtedness and notes payable with an aggregate carrying value of \$1,729,924 and \$1,415,047 had an estimated aggregate fair value of \$1,765,402 and \$1,346,288 at December 31, 2000 and 1999, respectively.

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

10. Segment Reporting

The Company's reportable operating segments include Stable Communities, Developed Communities and Redeveloped Communities:

- o Stable Communities are communities that have attained stabilized occupancy levels and operating costs since the beginning of the prior calendar year or were acquired as stabilized after the beginning of the previous calendar year and remained stabilized throughout the end of the current calendar year. Stable Communities do not include

F-18

communities where planned redevelopment or development activities have not yet commenced. The primary financial measure for this business segment is Net Operating Income ("NOI"), which represents total revenue less operating expenses and property taxes.

- o Developed Communities are communities which completed development and attained stabilized occupancy and expense levels during the prior calendar year of presentation. The primary financial measure for this business segment is Operating Yield (defined as NOI divided by total capitalized costs).
- o Redeveloped Communities are communities that completed redevelopment and attained stabilized occupancy and expense levels during the prior calendar year of presentation. The primary financial measure for this business segment is Operating Yield.

Other communities owned by the Company which are not included in the above segments are communities that were under development, redevelopment or lease-up at any point in time during the applicable calendar year. The primary performance measure for these assets depends on the stage of development or redevelopment of the community. While under development or redevelopment, Management monitors actual construction costs against budgeted costs as well as economic occupancy. While under lease-up, the primary performance measures for these assets are projected Operating Yield as defined above, lease-up pace compared to budget and rent levels compared to budget.

Net Operating Income for each community is generally equal to that community's contribution to Funds from Operations ("FFO"), except that interest expense related to indebtedness secured by an individual community and depreciation and amortization on non-real estate assets are not included in the community's NOI although such expenses decrease the Company's consolidated net income and FFO.

The segments are classified based on the individual community's status as of the beginning of the given calendar year. Therefore, each year the composition of communities within each business segment is adjusted. Accordingly, the amounts between years are not directly comparable.

The accounting policies applicable to the operating segments described above are the same as those described in the summary of significant accounting policies.

F-19

Stable Communities	Developed Communities	Redeveloped Communities	Other
-----------------------	--------------------------	----------------------------	-------

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

For the year ended December 31, 2000

Total, All Segments

Total revenue	\$ 315,773	\$ 101,166	\$ 35,895	\$ 118,2
Net Operating Income	\$ 229,121	\$ 76,374	\$ 23,620	\$ 80,9
Gross real estate	\$2,154,702	\$ 711,307	\$ 293,142	\$1,089,1
Operating Yield	10.6%	10.7%	8.1%	

Non-allocated operations

Total revenue	\$ --	\$ --	\$ --	\$ 2,3
Net Operating Income	\$ --	\$ --	\$ --	\$ 1,8
Gross real estate	\$ --	\$ --	\$ --	\$ 287,6

Total, AvalonBay

Total revenue	\$ 315,773	\$ 101,166	\$ 35,895	\$ 120,5
Net Operating Income	\$ 229,121	\$ 76,374	\$ 23,620	\$ 82,7
Gross real estate	\$2,154,702	\$ 711,307	\$ 293,142	\$1,376,8

For the year ended December 31, 1999

Total, All Segments

Total revenue	\$ 346,021	\$ 32,898	\$ 29,340	\$ 95,6
Net Operating Income	\$ 240,945	\$ 24,631	\$ 21,016	\$ 62,1
Gross real estate	\$2,362,197	\$ 225,841	\$ 232,765	\$1,105,8
Operating Yield	10.2%	10.9%	9.0%	

Non-allocated operations

Total revenue	\$ --	\$ --	\$ --	\$ 2,0
Net Operating Income	\$ --	\$ --	\$ --	\$ 1,7
Gross real estate	\$ --	\$ --	\$ --	\$ 339,7

Total, AvalonBay

Total revenue	\$ 346,021	\$ 32,898	\$ 29,340	\$ 97,7
Net Operating Income	\$ 240,945	\$ 24,631	\$ 21,016	\$ 63,9
Gross real estate	\$2,362,197	\$ 225,841	\$ 232,765	\$1,445,6

For the year ended December 31, 1998

Total, All Segments

Total revenue	\$ 266,371	\$ 13,032	\$ 5,907	\$ 83,9
Net Operating Income	\$ 183,799	\$ 9,572	\$ 3,744	\$ 54,5
Gross real estate	\$2,488,123	\$ 77,655	\$ 41,271	\$1,261,9
Operating Yield (1)	N/A	N/A	N/A	

Non-allocated operations

Total revenue	\$ --	\$ --	\$ --	\$ 2,1
Net Operating Income	\$ --	\$ --	\$ --	\$ 1,9

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Gross real estate	\$	--	\$	--	\$	--	\$	137,4
Total, AvalonBay								
Total revenue	\$	266,371	\$	13,032	\$	5,907	\$	86,0
Net Operating Income	\$	183,799	\$	9,572	\$	3,744	\$	56,4
Gross real estate	\$	2,488,123	\$	77,655	\$	41,271	\$	1,399,4

- (1) Operating Yield for the year ended December 31, 1998 is not comparable to the years ended December 31, 2000 and 1999 due to the effects of the merger of Avalon into Bay during 1998.

F-20

Operating expenses as reflected on the Consolidated Statements of Operations include \$28,111, \$22,786 and \$18,264 for the years ended December 31, 2000, 1999 and 1998, respectively, of property management overhead costs that are not allocated to individual communities. These costs are not reflected in NOI as shown in the above tables. The amount reflected for "Communities held for sale" on the Consolidated Balance Sheets is net of \$19,965 and \$18,141 of accumulated depreciation as of December 31, 2000 and 1999, respectively.

In June 1998, the Company completed the Merger. For comparative purposes, the 1998 segment information for the Company is presented below on a pro forma basis (unaudited) assuming the Merger had occurred as of January 1, 1998.

	Stable Communities -----	Developed Communities -----	Redeveloped Communities -----	Other -----
For the year ended December 31, 1998				
Total revenue	\$ 254,213	\$ 51,570	\$ 24,173	\$ 116,837
Net Operating Income	\$ 173,570	\$ 38,895	\$ 16,950	\$ 75,404
Gross real estate	\$2,107,129	\$ 277,958	\$ 221,961	\$1,279,957

11. Stock-Based Compensation Plans

The Company has adopted the 1994 Stock Incentive Plan, as amended and restated (the "1994 Plan"), for the purpose of encouraging and enabling the Company's officers, associates and directors to acquire a proprietary interest in the Company and as a means of aligning management and stockholder interests and as a retention incentive for key associates. Individuals who are eligible to participate in the 1994 Plan include officers, other associates, outside directors and other key persons of the Company and its subsidiaries who are responsible for or contribute to the management, growth or profitability of the Company and its subsidiaries. The 1994 Plan authorizes (i) the grant of stock options that qualify as incentive stock options under Section 422 of the Internal Revenue Code, (ii) the grant of stock options that do not so qualify, (iii) grants of shares of restricted and unrestricted Common Stock, (iv) grants of deferred stock awards, (v) performance share awards entitling the recipient to acquire shares of Common Stock and (vi) dividend equivalent rights.

Under the 1994 Plan, a maximum of 2,500,000 shares of Common Stock, plus 9.9% of any net increase in the total number of shares of Common Stock actually

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

outstanding from time to time after April 13, 1998, may be issued. Notwithstanding the foregoing, the maximum number of shares of stock for which Incentive Stock Options may be issued under the 1994 Plan shall not exceed 2,500,000 and no awards shall be granted under the 1994 Plan after April 13, 2008. For purposes of this limitation, shares of Common Stock which are forfeited, canceled and reacquired by the Company, satisfied without the issuance of Common Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Common Stock available for issuance under the 1994 Plan. Stock Options with respect to no more than 300,000 shares of stock may be granted to any one individual participant during any one calendar year period. Options granted to officers and employees under the 1994 Plan vest over periods determined by the Compensation Committee of the Board of Directors and expire ten years from the date of grant. Options granted to non-employee directors under the 1994 Plan are subject to accelerated vesting under certain limited circumstances and become exercisable on the first anniversary of the date of grant and expire ten years from the date of grant. Restricted stock granted to officers and employees under the 1994 Plan vest over periods determined by the Compensation Committee of the Board of Directors which is generally four years, with 20% vesting immediately on the grant date and the remaining 80% vesting equally over the next four years from the date of grant. Restricted stock granted to non-employee directors vests 20% on the date of issuance and 20% on each of the first four anniversaries of the date of issuance.

F-21

Information with respect to stock options granted under the 1994 Plan is as follows:

	Shares	Weighted average exercise price per share
	-----	-----
Options outstanding, December 31, 1997 (1)	1,070,374	\$27.02
Exercised	(164,924)	21.71
Granted	1,225,132	36.81
Forfeited	(244,500)	35.25
	-----	-----
Options outstanding, December 31, 1998 (1)	1,886,082	\$32.74
Exercised	(311,989)	25.44
Granted	993,084	32.24
Forfeited	(533,903)	36.25
	-----	-----
Options outstanding, December 31, 1999	2,033,274	\$32.63
Exercised	(172,376)	34.78
Granted	631,795	34.56
Forfeited	(66,736)	33.50
	-----	-----
Options outstanding, December 31, 2000	2,425,957	\$32.96
	=====	=====
Options exercisable:		
December 31, 1998	656,925	\$27.26
	=====	=====
December 31, 1999	682,110	\$30.33
	=====	=====
December 31, 2000	1,183,551	\$32.05

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

=====

(1) Information presented for Bay for periods prior to June 4, 1998 is unaudited.

F-22

The following table summarizes information concerning currently outstanding and exercisable options:

Options Outstanding				Options Exercisable	
Exercise price	Number outstanding as of December 31, 2000	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$18.38	60,000	4.24	\$18.38	60,000	\$18.38
19.25	6,000	4.35	19.25	6,000	19.25
19.63	18,800	4.55	19.63	18,800	19.63
20.00	101,300	3.18	20.00	101,300	20.00
20.50	6,000	3.26	20.50	6,000	20.50
23.38	40,000	5.07	23.38	40,000	23.38
25.38	15,000	5.33	25.38	15,000	25.38
27.75	33,700	5.65	27.75	33,700	27.75
31.50	212,184	8.80	31.50	70,657	31.50
32.00	453,067	8.13	32.00	150,871	32.00
32.25	5,333	8.85	32.25	1,776	32.25
32.56	6,667	8.08	32.56	2,220	32.56
33.75	5,834	7.97	33.75	3,892	33.75
33.75	537,701	9.16	33.75	--	--
33.94	10,000	8.01	33.94	3,330	33.94
34.31	10,768	9.11	34.31	--	--
34.38	30,000	6.38	34.38	30,000	34.38
34.63	2,000	8.65	34.63	666	34.63
34.81	1,500	8.49	34.81	500	34.81
35.31	768	8.64	35.31	256	35.31
35.38	4,000	8.69	35.38	1,332	35.38
35.44	4,666	8.69	35.44	1,554	35.44
36.00	60,000	8.36	36.00	60,000	36.00
36.13	70,000	7.44	36.13	70,000	36.13
36.31	352,676	7.42	36.31	235,235	36.31
36.63	122,500	6.06	36.63	117,500	36.63
36.63	25,993	7.56	36.63	17,337	36.63
36.63	4,500	9.25	36.63	--	--
37.94	130,000	7.08	37.94	115,000	37.94
38.81	20,000	6.84	38.81	15,000	38.81
39.63	7,500	6.72	39.63	5,625	39.63
40.50	60,000	9.38	40.50	--	--
41.94	1,500	9.49	41.94	--	--
43.00	3,000	9.54	43.00	--	--
45.94	3,000	9.56	45.94	--	--
	2,425,957	7.69	\$32.96	1,183,551	\$32.96

Options to purchase 3,123,713, 3,637,724 and 4,488,189 shares of Common Stock

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

were available for grant under the 1994 Plan at December 31, 2000, 1999 and 1998, respectively.

Before the Merger, Avalon had adopted its 1995 Equity Incentive Plan (the "Avalon 1995 Incentive Plan"). The Avalon 1995 Incentive Plan authorized the grant of (i) stock options that qualified as incentive stock options under Section 422 of the Internal Revenue Code, (ii) stock options that did not so qualify, (iii) shares of restricted and unrestricted common stock, (iv) shares of unrestricted common stock and (v) dividend equivalent rights.

Under the Avalon 1995 Incentive Plan, a maximum number of 3,315,054 shares (or 2,546,956 shares as adjusted for the Merger) of common stock were issuable, plus any shares of common stock represented by awards under Avalon's 1993 Stock Option and Incentive Plan (the "Avalon 1993 Plan") that were forfeited, canceled, reacquired by Avalon, satisfied without the issuance of common stock or otherwise terminated (other than by exercise). Options granted to officers, non-employee directors and associates under the Avalon 1995 Incentive Plan generally

F-23

vested over a three-year term, expire ten years from the date of grant and are exercisable at the market price on the date of grant.

In connection with the Merger, the exercise prices and the number of options under the Avalon 1995 Incentive Plan and the Avalon 1993 Plan were adjusted to reflect the equivalent Bay shares and exercise prices based on the 0.7683 share conversion ratio used in the Merger. Officers, non-employee directors and associates with Avalon 1995 Incentive Plan options may exercise their adjusted number of options for the Company's Common Stock at the adjusted exercise price.

Information with respect to stock options granted under the Avalon 1995 Incentive Plan and the Avalon 1993 Plan is as follows:

	Shares	Weighted average exercise price per share
	-----	-----
Options outstanding, December 31, 1997	1,703,348	\$33.01
Exercised	(49,375)	36.12
Granted	464,227	37.60
Forfeited	(65,946)	38.00
	-----	-----
Options outstanding, December 31, 1998	2,052,254	\$34.05
Exercised	(172,977)	26.97
Granted	--	--
Forfeited	(50,940)	37.61
	-----	-----
Options outstanding, December 31, 1999	1,828,337	\$34.63
Exercised	(327,582)	28.65
Granted	--	--
Forfeited	(16,410)	35.84
	-----	-----
Options outstanding, December 31, 2000	1,484,345	\$35.94
	=====	=====

Options exercisable:

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

December 31, 1998	1,014,530	\$30.26
	=====	=====
December 31, 1999	1,268,520	\$33.22
	=====	=====
December 31, 2000	1,313,219	\$35.71
	=====	=====

F-24

The following table summarizes information concerning currently outstanding and exercisable options under the Avalon 1995 Incentive Plan and the Avalon 1993 Plan:

Exercise price	Options Outstanding			Options Exercisable	
	Number outstanding as of December 31, 2000	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$26.19	7,683	4.37	\$26.19	7,683	\$26.19
26.68	211,037	2.86	26.68	211,037	26.68
26.68	3,842	2.86	26.68	3,842	26.68
27.33	11,232	4.35	27.33	11,232	27.33
27.33	2,305	5.04	27.33	2,305	27.33
27.33	1,152	6.95	27.33	1,152	27.33
28.15	7,019	5.48	28.15	7,019	28.15
28.31	15,366	5.36	28.31	15,366	28.31
30.10	2,305	3.37	30.10	2,305	30.10
30.26	1,921	5.69	30.26	1,921	30.26
34.98	5,762	5.96	34.98	5,762	34.98
35.31	15,366	6.36	35.31	15,366	35.31
36.61	29,197	7.41	36.61	19,474	36.61
36.69	1,921	7.32	36.69	1,281	36.69
37.18	3,682	7.36	37.18	2,456	37.18
37.26	128	7.27	37.26	86	37.26
37.58	355,000	7.18	37.58	236,785	37.58
37.66	24,483	6.87	37.66	24,483	37.66
38.15	777,773	6.82	38.15	737,773	38.15
39.29	1,408	6.96	39.29	1,408	39.29
39.70	1,921	6.80	39.70	1,921	39.70
39.86	3,842	7.00	39.86	2,562	39.86
	1,484,345	6.28	\$35.94	1,313,219	\$35.94

As of June 4, 1998, the date of the Merger, options and other awards ceased to be granted under the Avalon 1993 Plan or the Avalon 1995 Incentive Plan. Accordingly, there were no options to purchase shares of Common Stock available for grant under the Avalon 1995 Incentive Plan at December 31, 2000, 1999 or 1998.

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its Plans. Accordingly, no compensation expense has been recognized for the stock option portion of the stock-based compensation plan.

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

F-25

Had compensation expense for the Company's stock option plan been determined based on the fair value at the grant date for awards under the Plan consistent with the methodology prescribed under SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the following pro forma amounts (unaudited):

	Year ended 12-31-00	Pro Forma Year ended 12-31-99
Income before extraordinary item (net of preferred dividends)	\$ 168,058	\$ 130,882
Net income available to common stockholders	\$ 168,058	\$ 130,882
Per common share - basic		
Income before extraordinary item (net of preferred dividends)	\$ 2.53	\$ 2.02
Extraordinary item	--	--
Net income available to common stockholders	\$ 2.53	\$ 2.02
Per common share - diluted		
Income before extraordinary item (net of preferred dividends)	\$ 2.49	\$ 2.01
Extraordinary item	--	--
Net income available to common stockholders	\$ 2.49	\$ 2.01

The fair value of the options granted during 2000 is estimated at \$3.76 per share on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 6.51%, volatility of 15.93%, risk-free interest rates of 6.61%, actual number of forfeitures, and an expected life of approximately 3 years. The fair value of the options granted during 1999 is estimated at \$3.40 per share on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 6.10%, volatility of 17.04%, risk free interest rates of 5.54%, actual number of forfeitures, and an expected life of approximately 3 years. The fair value of the options granted during 1998 is estimated at \$3.72 per share on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 5.96%, volatility of 16.77%, risk free interest rates of 5.55%, actual number of forfeitures, and an expected life of approximately 3 years.

In connection with the Merger, the Company adopted the 1996 Non-Qualified Employee Stock Purchase Plan, as amended and restated (the "1996 ESP Plan"). The primary purpose of the 1996 ESP Plan is to encourage Common Stock ownership by eligible directors, officers and associates (the "Participants") in the belief that such ownership will increase each Participant's interest in the success of the Company. Until January 1, 2000, the 1996 ESP Plan provided for two purchase periods per year. A purchase period was a six month period beginning each January 1 and July 1 and ending each June 30 and December 31, respectively.

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Starting January 1, 2000, there is one purchase period per year, which begins May 1 and ends October 31. Participants may contribute portions of their compensation during a purchase period and purchase Common Stock at the end thereof. One million shares of Common Stock are reserved for issuance under the 1996 ESP Plan. Participation in the 1996 ESP Plan entitles each Participant to purchase Common Stock at a price which is equal to the lesser of 85% of the closing price for a share of stock on the first day of such purchase period or 85% of the closing price on the last day of such purchase period. The Company issued 34,055, 35,408 and 23,396 shares under the 1996 ESP Plan for 2000, 1999 and 1998, respectively.

F-26

12. Quarterly Financial Information (Unaudited)

The following summary represents the quarterly results of operations for the years ended December 31, 2000 and 1999:

	Three months ended			
	3-31-00	6-30-00	9-30-00	12-31-
Total revenue	\$ 135,088	\$ 139,958	\$ 146,351	\$ 151,9
Net income available to common stockholders	\$ 37,227	\$ 40,712	\$ 48,550	\$ 44,3
Net income per common share - basic	\$ 0.57	\$ 0.62	\$ 0.73	\$ 0.
Net income per common share - diluted	\$ 0.56	\$ 0.61	\$ 0.71	\$ 0.

	Three months ended			
	3-31-99	6-30-99	9-30-99	12-31-
Total revenue	\$ 118,946	\$ 123,188	\$ 131,108	\$ 132,7
Net income available to common stockholders	\$ 4,955	\$ 52,977	\$ 24,336	\$ 50,2
Net income per common share - basic	\$ 0.08	\$ 0.82	\$ 0.38	\$ 0.
Net income per common share - diluted	\$ 0.08	\$ 0.81	\$ 0.38	\$ 0.

13. Subsequent Events (Unaudited)

In January 2001, the Company became a member of Constellation Real Technologies LLC, an entity formed by a number of real estate investment trusts and real estate operating companies for the purpose of investing in multi-sector real estate technology opportunities. The Company's capital commitment to Constellation Real Technologies is \$4,000.

In February 2001, the Company announced certain management changes including the promotion of Bryce Blair to chief executive officer and the departure of another executive. The Company expects to record a non-recurring charge in the first quarter of 2001 relating to the departure of this executive of approximately \$2,000.

During February 2001, the Company acquired Avalon Wynhaven pursuant to the terms of a forward purchase contract agreed to in 1997 with an unaffiliated party. This community containing 333 apartment homes is located in the Seattle, Washington area, and was acquired for approximately \$51,909.

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

During February 2001, the Company sold Crossbrook, a 226 apartment home community located in the San Francisco, California area. The net proceeds of approximately \$14,532 were invested in cash equivalents and will ultimately be invested in development and redevelopment.

F-27

SCHEDULE III

AVALONBAY COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2000
(Dollars in thousands)

	Initial Cost			Total Cost	
	Land	Building/ Construction in Progress & Improvements	Costs Subsequent to Acquisition/ Construction	Land	Building/ Construction Progress & Improvement
Current Communities					
Waterford	\$11,324	\$45,717	\$ 1,562	\$11,324	\$47,279
Hampton Place	10,746	43,399	441	10,746	43,840
Avalon Pleasanton	11,610	46,552	1,298	11,610	47,850
Avalon Dublin	5,276	19,642	1,797	5,276	21,439
Willow Creek	6,581	26,583	676	6,581	27,259
Avalon Fremont	4,271	17,282	489	4,271	17,771
Avalon at Union Square	4,249	16,820	561	4,249	17,381
Crowne Ridge	5,982	16,885	7,807	5,982	24,692
Sunset Towers	3,561	21,321	3,219	3,561	24,540
Avalon at Nob Hill	5,403	21,567	447	5,403	22,014
Avalon at Diamond Heights	4,726	19,130	312	4,726	19,442
Avalon Towers by The Bay	9,155	57,630	37	9,155	57,667
Crossbrook	3,389	12,721	2,967	3,389	15,688
Avalon at Cedar Ridge	4,230	9,659	11,629	4,230	21,288
Avalon Foster City	7,852	31,445	1,755	7,852	33,200
Avalon Pacifica	6,125	24,796	152	6,125	24,948
Avalon Silicon Valley	20,713	99,304	397	20,713	99,701
Avalon at Blossom Hill	11,933	48,313	462	11,933	48,775
Avalon Campbell	11,830	47,828	240	11,830	48,068
Countrybrook	9,384	34,794	3,529	9,384	38,323
Avalon at Pruneyard	3,414	15,469	12,818	3,414	28,287
Creekside	6,546	26,301	9,962	6,546	36,263
Avalon at River Oaks	8,904	35,126	1,870	8,904	36,996
Avalon at Parkside	7,406	29,823	450	7,406	30,273
Avalon Mountain View	9,755	39,393	1,043	9,755	40,436
San Marino	6,607	26,673	280	6,607	26,953
Avalon Sunnyvale	6,786	27,388	256	6,786	27,644
Avalon at Foxchase	11,340	45,532	1,145	11,340	46,677
Fairway Glen	3,341	13,338	380	3,341	13,718
Avalon Cupertino	9,099	39,926	86	9,099	40,012
Avalon on the Alameda	6,119	50,164	49	6,119	50,213
Avalon Rosewalk I	11,177	44,896	236	11,177	45,132

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Avalon Rosewalk II	4,637	17,131	--	4,637	17,131
Avalon Woodland Hills	23,828	40,372	6,942	23,828	47,314
Avalon at Media Center	22,483	28,104	13,249	22,483	41,353
Avalon Westside Terrace	5,878	23,708	7,477	5,878	31,185
Arbor Heights	2,984	17,927	8,552	2,984	26,479
Avalon at Warner Center	7,045	12,986	6,264	7,045	19,250
Timberwood	1,210	8,607	4,919	1,210	13,526
Avalon Huntington Beach	6,663	21,647	8,707	6,663	30,354
Avalon at Pacifica Bay	4,871	19,745	7,293	4,871	27,038
Avalon at South Coast	4,709	16,063	3,446	4,709	19,509
Avalon Santa Margarita	4,607	16,911	2,042	4,607	18,953
Amberway	10,285	7,249	3,716	10,285	10,965
Avalon at Laguna Niguel	656	16,588	3,714	656	20,302

	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Encumbrances	Year of Completion/ Acquisition
Current Communities	-----	-----	-----	-----
Waterford	\$4,327	\$54,276	\$33,100	1985/86
Hampton Place	3,963	50,623	--	1992/94
Avalon Pleasanton	4,409	55,051	--	1988/94
Avalon Dublin	1,940	24,775	--	1989/97
Willow Creek	2,469	31,371	--	1985/94
Avalon Fremont	1,657	20,385	--	1992/94
Avalon at Union Square	1,578	20,052	--	1973/96
Crowne Ridge	2,248	28,426	--	1973/96
Sunset Towers	2,462	25,639	--	1961/96
Avalon at Nob Hill	1,975	25,442	20,013	1990/95
Avalon at Diamond Heights	1,772	22,396	--	1972/94
Avalon Towers by The Bay	2,654	64,168	--	1999
Crossbrook	1,077	18,000	8,156	1986/94
Avalon at Cedar Ridge	2,028	23,490	--	1975/97
Avalon Foster City	2,951	38,101	--	1973/94
Avalon Pacifica	2,235	28,838	16,775	1971/95
Avalon Silicon Valley	8,918	111,496	--	1997
Avalon at Blossom Hill	4,385	56,323	--	1995
Avalon Campbell	4,296	55,602	36,981	1995
Countrybrook	3,480	44,227	18,934	1985/96
Avalon at Pruneyard	2,231	29,470	12,870	1966/97
Creekside	2,600	40,209	--	1962/97
Avalon at River Oaks	3,344	42,556	--	1990/96
Avalon at Parkside	2,693	34,986	--	1991/96
Avalon Mountain View	3,588	46,603	18,300	1986
San Marino	2,436	31,124	--	1984/88
Avalon Sunnyvale	2,482	31,948	--	1987/95
Avalon at Foxchase	4,233	53,784	26,400	1986/87
Fairway Glen	1,259	15,800	9,580	1986
Avalon Cupertino	3,674	45,437	--	1999
Avalon on the Alameda	2,675	53,657	--	1999
Avalon Rosewalk I	4,010	52,299	--	1997
Avalon Rosewalk II	1,037	20,731	--	1999
Avalon Woodland Hills	4,645	66,497	--	1989/97
Avalon at Media Center	3,421	60,415	--	1969/97
Avalon Westside Terrace	2,583	34,480	--	1966/97
Arbor Heights	2,235	27,228	--	1970/97
Avalon at Warner Center	1,655	24,640	--	1979/98
Timberwood	1,286	13,450	--	1972/97
Avalon Huntington Beach	3,078	33,939	--	1972/97
Avalon at Pacifica Bay	2,168	29,741	--	1971/97

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Avalon at South Coast	1,837	22,381	--	1973/96
Avalon Santa Margarita	1,772	21,788	--	1990/97
Amberway	1,043	20,207	--	1983/98
Avalon at Laguna Niguel	1,817	19,141	10,400	1988/98

F-28

AVALONBAY COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2000
(Dollars in thousands)

	Initial Cost			Total Cost	
	Land	Building/ Construction in Progress & Improvements	Costs Subsequent to Acquisition/ Construction	Land	Building/ Construction Progress & Improvement
Avalon Newport	1,975	3,814	4,299	1,975	8,113
Avalon Mission Viejo	2,517	9,257	1,079	2,517	10,336
Avalon at Mission Bay	9,922	40,633	14,907	9,922	55,540
Avalon at Cortez Hill	2,768	20,134	6,621	2,768	26,755
Avalon at Mission Ridge	2,710	10,924	7,911	2,710	18,835
Avalon at Penasquitos Hills	2,760	9,391	1,997	2,760	11,388
Waterhouse Place	2,109	13,514	5,041	2,109	18,555
Avalon at Bear Creek	6,786	27,035	561	6,786	27,596
Avalon Redmond Place	4,558	17,504	3,900	4,558	21,404
Avalon Greenbriar	3,808	21,239	10,725	3,808	31,964
Avalon at Prudential Center	25,811	103,233	5,325	25,811	108,558
Longwood Towers	4,219	17,729	20,111	4,219	37,840
Avalon at Center Place	--	26,816	257	--	27,073
Avalon Summit	1,743	14,654	72	1,743	14,726
Avalon at Lexington	2,124	12,599	406	2,124	13,005
Avalon at Faxon Park	1,136	14,019	--	1,136	14,019
Avalon West	943	9,881	--	943	9,881
Avalon Oaks	2,129	19,018	--	2,129	19,018
Avalon Walk I & II	9,102	48,796	902	9,102	49,698
Avalon Glen	5,956	23,993	961	5,956	24,954
Avalon Gates	4,414	31,305	212	4,414	31,517
Avalon Springs	2,116	14,512	22	2,116	14,534
Avalon Valley	2,277	22,424	707	2,277	23,131
Avalon Lake	3,314	13,139	379	3,314	13,518
Avalon Pavilions	11,256	45,059	1,304	11,256	46,363
Avalon Commons	4,679	28,552	77	4,679	28,629
Avalon Towers	3,118	12,709	797	3,118	13,506
Avalon Court	3,083	15,871	--	3,083	15,871
Avalon Cove	8,760	82,356	183	8,760	82,539
The Tower at Avalon Cove	3,738	45,755	10	3,738	45,765
Avalon Watch	5,585	22,394	1,153	5,585	23,547
Avalon Crest	11,468	44,035	--	11,468	44,035
Avalon Run East	1,579	14,669	--	1,579	14,669
Avalon Gardens	8,428	45,710	33	8,428	45,743
Avalon View	3,529	14,140	375	3,529	14,515
Avalon Green	1,820	10,525	217	1,820	10,742
The Avalon	2,889	28,273	--	2,889	28,273

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Avalon at Fairway Hills I & II	8,612	34,463	1,024	8,612	35,487
Avalon at Symphony Glen	1,594	6,384	870	1,594	7,254
Avalon Landing	1,849	7,409	284	1,849	7,693
Avalon at Ballston V & Q	9,340	37,360	178	9,340	37,538
Avalon Crescent	13,851	43,401	--	13,851	43,401
Avalon at Ballston Washington	7,291	29,177	632	7,291	29,809
Avalon at Cameron Court	10,292	32,931	--	10,292	32,931
Autumn Woods	6,096	24,400	310	6,096	24,710
Avalon at Fair Lakes	4,334	19,127	--	4,334	19,127
Avalon at Dulles	2,302	9,212	257	2,302	9,469

	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Encumbrances	Year of Completion/ Acquisition
	-----	-----	-----	-----
Avalon Newport	755	9,333	--	1956/96
Avalon Mission Viejo	965	11,888	7,354	1984/96
Avalon at Mission Bay	4,136	61,326	--	1969/97
Avalon at Cortez Hill	2,120	27,403	--	1973/98
Avalon at Mission Ridge	1,721	19,824	--	1960/97
Avalon at Penasquitos Hills	1,052	13,096	--	1982/97
Waterhouse Place	1,674	18,990	--	1990/97
Avalon at Bear Creek	2,494	31,888	--	1998
Avalon Redmond Place	2,144	23,818	11,042	1991/97
Avalon Greenbriar	2,391	33,381	18,755	1987/88
Avalon at Prudential Center	9,355	125,014	--	1968/1998
Longwood Towers	5,926	36,133	--	1993
Avalon at Center Place	3,312	23,761	--	1997
Avalon Summit	2,378	14,091	--	1996
Avalon at Lexington	2,784	12,345	14,347	1994
Avalon at Faxon Park	1,411	13,744	--	1998
Avalon West	1,508	9,316	8,579	1996
Avalon Oaks	1,210	19,937	--	1999
Avalon Walk I & II	10,600	48,200	12,300	1992/94
Avalon Glen	5,425	25,485	--	1991
Avalon Gates	3,889	32,042	--	1997
Avalon Springs	1,906	14,744	--	1996
Avalon Valley	1,380	24,028	--	1999
Avalon Lake	791	16,041	--	1999
Avalon Pavilions	10,719	46,900	--	1990/92
Avalon Commons	3,398	29,910	--	1997
Avalon Towers	2,277	14,347	--	1995
Avalon Court	1,789	17,165	--	1997
Avalon Cove	10,966	80,333	--	1997
The Tower at Avalon Cove	2,624	46,879	--	1999
Avalon Watch	5,618	23,514	--	1988
Avalon Crest	2,416	53,087	--	1999
Avalon Run East	2,173	14,075	--	1996
Avalon Gardens	4,730	49,441	--	1998
Avalon View	3,374	14,670	18,465	1993
Avalon Green	2,028	10,534	--	1995
The Avalon	1,262	29,900	--	1999
Avalon at Fairway Hills I & II	6,048	38,051	11,500	1987/96
Avalon at Symphony Glen	1,705	7,143	9,780	1986
Avalon Landing	1,491	8,051	6,626	1995
Avalon at Ballston V & Q	4,914	41,964	--	1997
Avalon Crescent	5,468	51,784	--	1996
Avalon at Ballston Washington	6,663	30,437	--	1990
Avalon at Cameron Court	3,258	39,965	--	1998
Autumn Woods	3,416	27,390	--	1996
Avalon at Fair Lakes	1,975	21,486	--	1998

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Avalon at Dulles 2,284 9,487 12,360 1986

F-29

AVALONBAY COMMUNITIES, INC.
 REAL ESTATE AND ACCUMULATED DEPRECIATION
 December 31, 2000
 (Dollars in thousands)

	Initial Cost			Total Cost	
	Land	Building/ Construction in Progress & Improvements	Costs Subsequent to Acquisition/ Construction	Land	Building/ Construction Progress & Improvement
Avalon at Providence Park	2,152	8,907	184	2,152	9,091
Avalon at Decoverly	6,157	24,800	457	6,157	25,257
Avalon Knoll	1,528	6,136	601	1,528	6,737
Avalon Fields I & II	4,047	18,611	5	4,047	18,616
Avalon Crossing	2,207	11,683	--	2,207	11,683
4100 Massachusetts	6,848	27,614	1,066	6,848	28,680
Avalon at Danada Farms	7,535	30,444	190	7,535	30,634
Avalon at West Grove	5,149	20,657	3,587	5,149	24,244
Avalon at Stratford Green	4,326	17,569	36	4,326	17,605
Avalon at Devonshire	7,250	29,641	282	7,250	29,923
Avalon at Edinburgh	3,541	14,758	158	3,541	14,916
Avalon at Town Centre	3,450	14,449	84	3,450	14,533
Avalon at Town Square	2,099	8,642	94	2,099	8,736
Avalon Woodbury	5,034	20,857	57	5,034	20,914
Avalon Corners	6,305	24,179	872	6,305	25,051
Avalon Court North	6,145	33,049	991	6,145	34,040
Avalon Willow	6,207	39,852	--	6,207	39,852
Avalon at Fox Mill	2,713	16,678	--	2,713	16,678
Avalon Essex	5,230	15,483	492	5,230	15,975
Avalon Haven	1,264	11,762	464	1,264	12,226
200 Arlington Place	9,728	39,527	--	9,728	39,527
Avalon HighGrove	7,569	32,036	--	7,569	32,036
Avalon Palladia	9,303	37,350	--	9,303	37,350
Avalon ParcSquare	3,789	15,093	50	3,789	15,143
Avalon Rock Meadow	4,777	19,671	10	4,777	19,681
Avalon Wild Reed	4,253	18,676	21	4,253	18,697
	717,986	3,060,054	248,473	717,986	3,308,527

	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Encumbrances	Year of Completion/ Acquisition
Avalon at Providence Park	1,094	10,149	--	1997
Avalon at Decoverly	4,433	26,981	--	1995
Avalon Knoll	1,911	6,354	13,393	1985
Avalon Fields I & II	2,756	19,907	11,609	1998
Avalon Crossing	1,716	12,174	--	1996

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

4100 Massachusetts	6,034	29,494	--	1982
Avalon at Danada Farms	3,119	35,050	--	1997
Avalon at West Grove	2,453	26,940	--	1967
Avalon at Stratford Green	1,797	20,134	--	1997
Avalon at Devonshire	3,136	34,037	27,305	1988
Avalon at Edinburgh	1,386	17,071	--	1992
Avalon at Town Centre	1,525	16,458	--	1986
Avalon at Town Square	919	9,916	--	1986
Avalon Woodbury	1,065	24,883	--	1999
Avalon Corners	1,109	30,247	--	2000
Avalon Court North	1,453	38,732	--	2000
Avalon Willow	1,981	44,078	--	2000
Avalon at Fox Mill	772	18,619	--	2000
Avalon Essex	444	20,761	--	2000
Avalon Haven	238	13,252	--	2000
200 Arlington Place	--	49,255	--	1987/2000
Avalon HighGrove	140	39,465	--	2000
Avalon Palladia	380	46,273	--	2000
Avalon ParcSquare	306	18,626	--	2000
Avalon Rock Meadow	433	24,025	--	2000
Avalon Wild Reed	331	22,619	--	2000
	-----	-----	-----	
	327,480	3,699,033	394,924	
	-----	-----	-----	

F-30

AVALONBAY COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2000
(Dollars in thousands)

	Initial Cost			Total Cost	
	Land	Building/ Construction in Progress & Improvements	Costs Subsequent to Acquisition/ Construction	Land	Building/ Construction Progress & Improvement
	-----	-----	-----	-----	-----
Development Communities					
Avalon at Florham Park	4,092	32,932	--	4,092	32,932
Avalon at Edgewater	--	40,968	--	--	40,968
Avalon Bellevue	--	26,694	--	--	26,694
Avalon at Arlington Square I	--	40,869	--	--	40,869
Avalon on the Sound	--	61,505	--	--	61,505
Avalon Estates	1,063	17,651	--	1,063	17,651
Avalon at Cahill Park	--	11,902	--	--	11,902
Avalon at Freehold	--	12,105	--	--	12,105
Avalon Belltown	--	8,799	--	--	8,799
Avalon Harbor	--	15,327	--	--	15,327
Avalon Riverview	--	8,133	--	--	8,133
Avalon Towers on the Peninsula	--	20,407	--	--	20,407
	-----	-----	-----	-----	-----
	5,155	297,292	--	5,155	297,292
	-----	-----	-----	-----	-----

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

Land held for development	18,297	--	--	18,297	--
Presale communities	37,537	126,780	--	37,537	126,780
Corporate	1,571	22,617	207	1,571	22,824
	-----	-----	-----	-----	-----
	\$ 780,546	\$ 3,506,743	\$ 248,680	\$ 780,546	\$ 3,755,423
	=====	=====	=====	=====	=====

	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Encumbrances	Year of Completion/ Acquisition
	-----	-----	-----	-----
Development Communities				
Avalon at Florham Park	275	36,749	--	N/A
Avalon at Edgewater	--	40,968	--	N/A
Avalon Bellevue	--	26,694	--	N/A
Avalon at Arlington Square I	--	40,869	--	N/A
Avalon on the Sound	--	61,505	--	N/A
Avalon Estates	84	18,630	--	N/A
Avalon at Cahill Park	--	11,902	--	N/A
Avalon at Freehold	--	12,105	--	N/A
Avalon Belltown	--	8,799	--	N/A
Avalon Harbor	--	15,327	--	N/A
Avalon Riverview	--	8,133	--	N/A
Avalon Towers on the Peninsula	--	20,407	--	N/A
	-----	-----	-----	
	359	302,088	--	
	-----	-----	-----	
Land held for development	--	18,297	--	N/A
Presale communities	--	164,317	--	N/A
Corporate	8,171	16,224	--	N/A
	-----	-----	-----	
	\$ 336,010	\$ 4,199,959	\$ 394,924	
	=====	=====	=====	

F-31

AVALONBAY COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2000
(Dollars in thousands)

Depreciation of AvalonBay Communities, Inc. building, improvements, upgrades and furniture, fixtures and equipment (FF&E) is calculated over the following useful lives, on a straight line basis:

Building - 30 years
Improvements, upgrades and FF&E - not to exceed 7 years

The aggregate cost of total real estate for Federal income tax purposes was approximately \$4.5 billion at December 31, 2000.

The changes in total real estate for the years ended December 31, 2000, 1999 and 1998 are as follows:

Years ended December 31,

Edgar Filing: AVALONBAY COMMUNITIES INC - Form 10-K405

	2000	1999	1998
Balance, beginning of period	\$ 4,266,426	\$ 4,006,456	\$ 1,534,986
Acquisitions, construction costs and improvements	393,359	519,381	2,622,427
Reclassification to investment in joint ventures	--	--	--
Dispositions	(123,816)	(259,411)	(150,957)
Balance, end of period	\$ 4,535,969	\$ 4,266,426	\$ 4,006,456

The changes in accumulated depreciation for the years ended December 31, 2000, 1999 and 1998 are as follows:

	Years ended December 31,		
	2000	1999	1998
Balance, beginning of period	\$ 225,103	\$ 137,374	\$ 69,932
Depreciation for the period	119,416	107,928	75,614
Dispositions	(8,509)	(20,199)	(8,172)
Balance, end of period	\$ 336,010	\$ 225,103	\$ 137,374