MID AMERICA APARTMENT COMMUNITIES INC
Form 10-K/A
March 16, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2004
Commission File Number: 1-12762

MID-AMERICA APARTMENT COMMUNITIES, INC.

(Exact Name of Registrant as Specified in Charter)

TENNESSEE	**62-1543819**
(State of Incorporation)	(I.R.S. Employer Identification Number)

6584 POPLAR AVENUE, SUITE 300
MEMPHIS, TENNESSEE 38138
(Address of principal executive offices)

(901) 682-6600
Registrant s telephone number, including area code

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

Title of Each Class	Name of Exchange on Which Registered
Common Stock, par value $.01 per share	New York Stock Exchange
Series F Cumulative Redeemable Preferred Stock, par value $.01 per share	New York Stock Exchange
Series H Cumulative Redeemable Preferred Stock, par value $.01 per share	New York Stock Exchange

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

Indicate by check mark 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 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] 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. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). [X] Yes [ ] No

The aggregate market value of the voting stock held by non-affiliates of the Registrant, (based on the closing price of such stock ($37.89 per share), as reported on the New York Stock Exchange, on June 30, 2004) was approximately $721,500,000 (for purposes of this calculation, directors and executive officers are treated as affiliates).

The number of shares of the Registrant s common stock outstanding as of February 28, 2005, was 21,058,126 shares, of which approximately 1,301,843 were held by affiliates.

The Registrant s definitive proxy statement in connection with the 2005 Annual Meeting of Shareholders (to be filed pursuant to Regulation 14A) is incorporated by reference into Part III of this Annual Report on Form 10-K.

MID-AMERICA APARTMENT COMMUNITIES, INC.
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PART I

ITEM 1. BUSINESS

WEBSITE ACCESS OF REGISTRANT S REPORTS

A copy of this Annual Report on Form 10-K, along with the Company s Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to the aforementioned filings, are available on the Company s website free of charge. The filings can be found on the Investors page under SEC Filings. The Company s website also contains its Corporate Governance Guidelines, Code of Ethics Policy and the charters of the committees of the Board of Directors. These items can be found on the Investors page under Corporate Governance. The Company s website address is www.maac.net. Reference to the Company s website does not constitute incorporation by reference of the information contained on the site and should not be considered part of this document. All of the aforementioned materials may also be obtained free of charge by contacting the Investor Relations Department at Mid-America Apartment Communities, Inc., 6584 Poplar Avenue, Suite 300, Memphis, TN 38138.

OVERVIEW OF THE COMPANY

Founded in 1994, Mid-America Apartment Communities, Inc. (the Company) is a Memphis, Tennessee-based self-administered and self-managed umbrella partnership real estate investment trust (REIT) that focuses on acquiring, owning and operating apartment communities. Between 1994 and December 31, 2004, the Company increased the number of properties of which it is the sole owner from 22 to 129 properties with 36,618 apartment units, representing an increase of 31,038 apartment units. The Company is also participating in two joint ventures with Crow Holdings, Mid-America CH/Realty LP and Mid-America CH/Realty II LP (collectively the Joint Ventures). The Joint Ventures owned three properties with 1,286 apartment units at December 31, 2004. The Company retains a 33.33% ownership interest in each of the Joint Ventures and is paid a management fee of 4% of revenues from the apartment communities owned by the Joint Ventures.

The Company s business is conducted principally through Mid-America Apartments, L.P. (the Operating Partnership). The Company is the sole general partner of the Operating Partnership, holding 225,820 common units of partnership interest (Common Units) comprising a 1% general partnership interest in the Operating Partnership as of December 31, 2004. The Company s wholly-owned qualified REIT subsidiary, MAC II of Delaware, Inc., a Delaware corporation, is a limited partner in the Operating Partnership and, as of December 31, 2004, held 19,622,605 Common Units, or 86.89% of all outstanding Common Units.

The Company operated apartment communities in 12 states in 2004, employing 1,121 full time and 84 part time employees at December 31, 2004.

OPERATING PHILOSOPHY

The Company s primary objective is to maintain a stable cash flow that will fund its dividend through all parts of the real estate investment cycle. The Company focuses on growing through its existing investments and, when accretive to cash flow and shareholder value, through external investments.

INVESTMENT FOCUS. The Company s primary investment focus is on apartment communities in the Southeastern United States and Texas. Between 1994 and 1997, the Company grew largely through the acquisition and redevelopment of existing communities. Between 1998 and 2000, its concentration was on development of new communities. The Company s present focus is on the acquisition of properties that it believes can be repositioned with appropriate use of capital and its operating management skills. The Company is also interested in increasing its investment in properties in larger and faster growing markets within its current market area to balance its portfolio between small, middle and large-tier markets, and intends to do this through acquiring apartment communities with the potential for above average growth. The Company will continue its established process of selling mature assets, and will adapt its investment focus to opportunities and markets.

HIGH QUALITY ASSETS. The Company maintains its assets in excellent condition, believing that continuous maintenance will lead to higher long-run returns on investment. It believes that being recognized by civic and industry trade organizations for the high quality of its properties, landscaping, and property management will lead to higher rents and profitability and further supports the high quality of its properties and operations. The Company periodically sells assets selectively in order to ensure that its portfolio consists primarily of high quality, well-located assets within its market area.

DIVERSIFIED MARKET FOCUS. The Company believes the stability of its cash flow is enhanced and it will generate higher risk adjusted cash flow returns, with lower volatility, through its diversified strategy of investments over large, middle and small-tier markets throughout the southeastern United States and Texas.

INTENSIVE MANAGEMENT FOCUS. The Company strongly emphasizes on-site property management. Particular attention is paid to opportunities to increase rents, raise average occupancy rates, and control costs. Property managers and regional managers are given the responsibility for monitoring market trends and the discretion to react to such trends. The Company, as part of its intense management focus, has established a number of training programs to produce highly competent property managers, leasing consultants and service technicians who work on-site at the Company s apartment communities (the Communities) to generate the highest possible income from the Company s assets. At December 31, 2004, the Company employed approximately 106 Certified Apartment Managers (CAM). The CAM designation is sponsored through the National Apartment Association and provides training for on-site manager professionals.

DECENTRALIZED OPERATIONAL STRUCTURE. The Company operates in a decentralized manner. Management believes that its decentralized operating structure capitalizes on specific market knowledge, provides greater personal accountability than a centralized structure and is beneficial in the acquisition and redevelopment processes. To support this decentralized operational structure, senior and executive management, along with various asset management functions, are proactively involved in supporting and reviewing property management through extensive reporting processes and frequent on-site visitations. In 2004 the Company completed the installation of the property and general ledger modules of a new web-based property management system that increases the amount of information shared between senior and executive management and the properties, and does so on a real time basis, improving the support provided to the operating environment. The Company plans to install the purchase order module in 2005.

PROACTIVE BALANCE SHEET AND PORTFOLIO MANAGEMENT

The Company focuses on maximizing the return on assets and adding to the intrinsic underlying value of each share of the Company s common stock, routinely reviewing each asset based on its determined value and selling those which no longer fit its investment criteria. The Company constantly evaluates the effectiveness of its capital allocations and makes adjustments to its strategy, including investing in existing and new apartment communities, debt retirement, and repurchases or issuances of shares of the Company s preferred and common stock.

STRATEGIES

The Company seeks to increase operating cash flow and earnings per share to maximize shareholder value through a balanced strategy of internal and external growth.

OPERATING GROWTH STRATEGY. Management s goal is to maximize the Company s return on investment in each Community by increasing rental rates and reducing operating expenses while maintaining high occupancy levels. The Company seeks higher net rental revenues by enhancing and maintaining the competitiveness of the Communities and managing expenses through its system of detailed management reporting and accountability in order to achieve increases in operating cash flow. The steps taken to meet these objectives include:

- empowering the Company s property managers to adjust rents in response to local market conditions and to concentrate resident turnover during peak rental demand months;

- offering new services to residents, including telephone, cable, and internet access, on which the Company generates fee and commission income;

- implementing programs to control expenses through investment in cost-saving initiatives, such as the installation of individual apartment unit water and utility meters in certain Communities;

- analyzing individual asset productivity performances to identify best practices and improvement areas;

improving the curb appeal of the Communities through extensive landscaping and exterior improvements and repositioning Communities from time to time to maintain market leadership positions;

compensating employees through performance-based compensation and stock ownership programs;

maintaining a hands-on management style and flat organizational structure that emphasizes senior management s continued close contact with the market and employees;

selling or exchanging underperforming assets and repurchasing or issuing shares of common and preferred stock when cost of capital and asset values permit;

allocating additional capital where the investment will generate the highest returns for the Company; and

developing new ancillary income programs aimed at delivering new consumer services and products to its residents while generating fee income for the Company.

JOINT VENTURE STRATEGY. One of the Company s strategies is to co-invest with private capital partners in joint venture opportunities from time to time which enable it to obtain a higher return on its investment through management fees, which leverages the Company s recognized skills in acquiring, repositioning, redeveloping and managing multifamily investments. In addition, the joint venture investment strategy can provide a platform for creating more capital diversification and lower investment risk for the Company. The Company is currently involved in two joint ventures with Crow Holdings, one established in 2002 and the second in early 2004.

DISPOSITION STRATEGY. The Company is committed to the selective disposition of mature assets, defined as those apartment communities that no longer meet the Company s investment criteria and long-term strategic objectives. Typically, the Company selects assets for disposition that do not meet its present investment criteria including future return on investment, location, market, potential for growth, and capital needs. The Company may from time to time also dispose of assets for which the Company receives an offer meeting or exceeding its return on investment criteria even though those assets may not meet the disposition criteria disclosed above.

The following Communities were sold during 2004:

Property	Location	Number of Units	Date Sold
100% Owned Properties:			
Island Retreat	St. Simon s Island, GA	112	October 1, 2004
Joint Venture Properties:			
Preserve at Arbor Lakes	Jacksonville, FL	284	November 3, 2004
		396	

ACQUISITION STRATEGY. One of the Company s growth strategies is to acquire and redevelop apartment communities that meet its investment criteria and focus as discussed above. The Company has extensive experience and research-based skills in the acquisition and repositioning of multifamily properties. In addition, the Company will acquire newly built and developed properties that can be purchased on a favorable pricing basis. The Company will continue to evaluate opportunities that arise, and will utilize this strategy to increase the number of properties in strong and growing markets in the Southeast and Texas.

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The following Communities were purchased during 2004:

Property	Location	Number of Units	Date Purchased

100% Owned Properties:			
Monthaven Park	Hendersonville, TN (Nashville Metro)	456	January 23, 2004
Watermark	Roanoke, TX (Dallas Metro)	240	June 15, 2004
Prescott	Duluth, GA (Atlanta Metro)	384	August 24, 2004
Grand Reserve at Sunset Valley	Austin, TX	210	November 5, 2004
Preserve at Coral Square	Coral Springs, FL (Ft. Lauderdale Metro)	480	November 5, 2004
Villages at Kirkwood	Stafford, TX (Houston Metro)	274	November 5, 2004
Joint Venture Properties:			
Verandas at Timberglen	Dallas, TX	522	January 15, 2004
		2,566	

DEVELOPMENT STRATEGY. In late 1997, the Company s emphasis shifted from acquisitions to development because of its belief that under then-current market conditions, such development would generate higher quality assets and higher long-term investment returns. In 2002, the Company completed a $300 million construction program of high quality apartments in several markets. In 1999, management decided to exit the construction and development business upon completion of the Company s existing development pipeline after determining that market conditions were changing, making it unlikely that future proposed projects would meet the Company s profitability targets over the next few years.

At December 31, 2004, the Company had no properties in development. The Company periodically evaluates opportunities for profitable future development investments.

COMMON AND PREFERRED STOCK

The Company continuously reviews opportunities for lowering its cost of capital, and increasing value per share. The Company evaluates opportunities to repurchase stock when it believes that its stock price is below the value of its assets and accordingly repurchased common stock, funded by asset sales, between 1999 and 2001. The Company also looks for opportunities where it can acquire or develop communities, selectively funded or partially funded by stock sales, when it will add to shareholder value and the investment return is projected to substantially exceed its cost of capital. The Company will also opportunistically seek to lower its cost of capital through refinancing preferred stock as it did in 2003.

SHARE REPURCHASE PROGRAM

In 1999, the Company s Board of Directors approved an increase in the number of shares of the Company s common stock authorized to be repurchased to 4 million shares. As of December 31, 2004 the Company had repurchased a total of approximately 1.86 million shares (8% of the shares of common stock and Common Units outstanding as of the beginning of the repurchase program). From time to time the Company intends to sell assets based on its disposition strategy outlined in this Annual Report and use the proceeds to repurchase shares when it believes that shareholder value is enhanced. Factors affecting this determination include the share price, asset dispositions and pricing, financing agreements and rates of return of alternative investments. No shares were repurchased from 2002 through 2004 under this plan.

COMPETITION

All of the Company s Communities are located in areas that include other apartment communities. Occupancy and rental rates are affected by the number of competitive apartment communities in a particular area. The owners of competing apartment communities may have greater resources than the Company, and the managers of these communities may have more experience than the Company s management. Moreover, single-family rental housing, manufactured housing, condominiums and the new and existing home markets provide housing alternatives to potential residents of apartment communities.

Apartment communities compete on the basis of monthly rent, discounts, and facilities offered such as apartment size and amenities, and apartment community amenities, including recreational facilities, resident services, and physical property condition. The Company makes capital improvements to both the Communities and individual apartments on a regular basis in order to maintain a competitive position in each individual market.

ENVIRONMENTAL MATTERS

As part of the acquisition process, the Company generally obtains environmental studies on all of its Communities from various outside environmental engineering firms. The purpose of these studies is to identify potential sources of contamination at the Communities and to assess the status of environmental regulatory compliance. These studies generally include historical reviews of the Communities, reviews of certain public records, preliminary investigations of the sites and surrounding properties, visual inspection for the presence of asbestos, PCBs and underground storage tanks and the preparation and issuance of written reports. Depending on the results of these studies, more invasive procedures, such as soil sampling or ground water analysis, will be performed to investigate potential sources of contamination. These studies must be satisfactorily completed before the Company takes ownership of an acquisition property, however, no assurance can be given that the studies identify all significant environmental problems.

Under various Federal, state and local laws and regulations, an owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances on properties. Such laws often impose such liability without regard to whether the owner caused or knew of the presence of hazardous or toxic substances and whether or not the storage of such substances was in violation of a resident s lease. Furthermore, the cost of remediation and removal of such substances may be substantial, and the presence of such substances, or the failure to promptly remediate such substances, may adversely affect the owner s ability to sell such real estate or to borrow using such real estate as collateral.

The Company is aware of environmental concerns specifically relating to potential issues resulting from mold in residential properties and has in place an active management and preventive maintenance program that includes procedures specifically related to mold. The Company has established a policy requiring residents to sign a mold addendum to lease. The Company has also purchased a $2 million insurance policy that covers remediation and exposure to mold. The current policy expires in 2007, but is renewable at that time. The Company, therefore, believes that its exposure to this issue is limited and controlled.

The environmental studies received by the Company have not revealed any material environmental liabilities. The Company is not aware of any existing conditions that would currently be considered an environmental liability. Nevertheless, it is possible that the studies do not reveal all environmental liabilities or that there are material environmental liabilities of which the Company is unaware. Moreover, no assurance can be given concerning future laws, ordinances or regulations, or the potential introduction of hazardous or toxic substances by neighboring properties or residents.

The Company believes that its Communities are in compliance in all material respects with all applicable Federal, state and local ordinances and regulations regarding hazardous or toxic substances and other environmental matters.

RECENT DEVELOPMENTS

DISTRIBUTION. In January 2005, the Company announced a quarterly distribution to common shareholders of $0.585 per share, which was paid on January 31, 2005.

ACQUISITIONS. On February 18, 2005, the Company acquired two communities in the Atlanta-metro area situated on Lake Lanier with a total of 657 units. The Company plans to operate the communities as one property.

ITEM 2. PROPERTIES

The Company seeks to acquire apartment communities located in the southeastern United States and Texas that are primarily appealing to middle income residents with the potential for above average growth and return on investment. Approximately 75% of the Company s apartment units are located in Georgia, Florida, Tennessee and Texas markets. The Company s strategic focus is to provide its residents high quality apartment units in attractive community settings, characterized by extensive landscaping and attention to aesthetic detail. The Company utilizes its experience and expertise in maintenance, landscaping, marketing and management to effectively reposition many of the apartment communities it acquires to raise occupancy levels and per unit average rents.

The following table sets forth certain historical information for the Communities the Company owned or maintained an ownership interest in, including the 3 properties containing 1,286 apartment units owned by the Company s Joint Ventures, at December 31, 2004:

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								Encumbrances at December 31, 2004	
Location	Year Completed	Year Management Commenced	Number of Units	Approximate Rentable Area (Square Footage)	Average Unit Size (Square Footage)	Monthly Rent per Unit at December 31, 2004	Average Occupancy Percent at December 31, 2004	Mortgage Principal (000 s)	Interest Rate
Birmingham, AL	1986	1998	200	181,400	907	$ 662.15	98.50%	$ (1)	(1)
Huntsville, AL	1987	1998	152	162,792	1,071	$ 540.79	87.50%	$ (1)	(1)
Huntsville, AL	1989/98	1997	392	414,736	1,058	$ 660.37	84.18%	$ (1)	(1)
Montgomery, AL	1999	1998	208	230,880	1,110	$ 730.36	91.35%	$ (1)	(1)
			952	989,808	1,040	$ 656.94	89.29%	$	
Little Rock, AR	1987	1994	260	195,000	750	$ 610.63	94.62%	$ (1)	(1)
Little Rock, AR	1984	1996	240	183,120	763	$ 612.78	90.83%	$ (1)	(1)
Little Rock, AR	1984	1997	142	147,964	1,042	$ 693.55	90.14%	$ (1)	(1)
Little Rock, AR	1986	1997	166	172,972	1,042	$ 650.49	96.39%	$ 4,591	8.760%
			808	699,056	865	$ 634.03	93.07%	$ 4,591	
Altamonte Springs, FL	1985	1996	288	234,144	813	$ 671.17	97.22%	$ (1)	(1)
Atlantic Beach, FL	1986	1995	120	93,240	777	$ 652.50	95.00%	$ (1)	(1)
Brandon, FL	1989	2000	240	194,640	811	$ 729.67	99.17%	$ (4)	(4)
Brandon, FL	1997/99	1997	440	516,120	1,173	$ 877.41	95.00%	$ (2)	(2)
Coral Springs, FL	1996	2004	480	528,480	1,101	$ 1,040.15	97.71%	$ 33,141	6.983%
Daytona Beach, FL	1986	1995	208	149,136	717	$ 666.99	99.52%	$ 7,000(10)	1.770%(10)
Gainesville, FL	1999	1998	264	293,040	1,110	$ 821.36	93.18%	$ (2)	(2)

Encumbrances at December 31, 2004

Jacksonville, FL	1987	1995	208	218,400	1,050	$ 768.53	99.04%	$ (6)	(6)
Jacksonville, FL	1987	1997	336	295,008	878	$ 721.88	94.64%	$ (7)	(7)
Jacksonville, FL	1985	1996	416	344,032	827	$ 703.46	96.63%	$ (1)	(1)
Jacksonville, FL	2003	2003	501	556,110	1,110	$ 932.43	88.42%	$ (1)	(1)
Jacksonville, FL	1989/96	1997	440	475,200	1,080	$ 811.79	92.50%	$ (1)	(1)
Jacksonville, FL	1998	1998	288	330,336	1,147	$ 843.10	94.79%	$ (2)	(2)
Jacksonville, FL	1987	1995	400	304,400	761	$ 639.07	89.25%	$ (6)	(6)
Jacksonville, FL	1985	1994	188	166,004	883	$ 692.12	95.74%	$ (2)	(2)
Jacksonville, FL	1986	1997	450	342,000	760	$ 705.36	93.78%	$ (1)	(1)
Lakeland, FL	1988/90	1997	464	505,296	1,089	$ 719.85	95.47%	$ (1)	(1)
Melbourne, FL	1990	1995	256	238,592	932	$ 691.53	97.27%	$ (6)	(6)
Ocala, FL	1986/88	1997	480	485,280	1,011	$ 729.64	93.96%	$ 6,805(2)(3)	(2)(3)
Panama City, FL	2000	1998	254	283,972	1,118	$ 870.39	96.85%	$ (2)	(2)
Tallahassee, FL	1990/95	1997	304	329,232	1,083	$ 808.02	83.22%	$ (2)	(2)
Tampa, FL	1984	1994	210	202,440	964	$ 736.68	92.38%	$ (1)	(1)
Tampa, FL	1980	1998	230	214,820	934	$ 753.65	96.09%	$ (1)	(1)
			7,465	7,299,922	978	$ 778.17	94.27%	$46,946	
Athens, GA	1987	1997	160	186,560	1,166	$ 683.40	96.25%	$ (1)	(1)
Augusta, GA	1986	1997	192	156,288	814	$ 611.01	91.67%	$ 4,760	2.739%
Augusta, GA	1982	1994	272	222,768	819	$ 543.93	95.96%	$ (1)	(1)
Augusta, GA	1984	1997	120	107,040	892	$ 632.48	91.67%	$ 3,480(15)	1.770%(15)
Brunswick, GA	1983	1997	110	129,800	1,180	$ 744.26	85.45%	$ (5)	(5)
College Park, GA	1985	1997	124	112,716	909	$ 646.27	91.94%	$ (1)	(1)
Columbus, GA	1980/82/84/86/98	1997	1,008	1,220,688	1,211	$ 718.96	95.24%	$ (1)	(1)
Columbus, GA	1971/77	1997	285	246,810	866	$ 567.88	88.42%	$ (1)	(1)
Conyers, GA	1999	1998	316	351,076	1,111	$ 749.93	96.84%	$ (1)	(1)
Duluth, GA	2001	2004	384	370,176	964	$ 878.05	96.88%	$ (8)	(8)

Encumbrances at December 31, 2004

y **Location**

										Encumbrances at December 31, 2004		
		Year Completed	Year Management Commenced	Number of Units	Approximate Rentable Area (Square Footage)	Average Unit Size (Square Footage)	Monthly Rent per Unit at December 31, 2004	Average Occupancy Percent at December 31, 2004	Mortgage Principal (000 s)		Interest Rate	Maturity Date
ing	LaGrange, GA	1982/84	1997	216	223,128	1,033	$ 542.25	90.74%	$	(5)	(5)	
y	Lilburn, GA	1983	1997	150	137,700	918	$ 658.04	93.33%	$	(1)	(1)	
	Macon, GA	1996	1997	256	292,864	1,144	$ 697.21	94.53%	$	(7)	(7)	
as	Macon, GA	1985	1997	144	153,792	1,068	$ 605.78	99.31%	$	(1)	(1)	
Run	McDonough, GA	1997	1998	240	271,200	1,130	$ 721.03	95.00%	$	(1)	(1)	
own	Savannah, GA	1997	1998	220	239,800	1,090	$ 821.88	96.36%	$	10,174	7.750%	7/1/2037
od	Thomasville, GA	1980/84	1997	216	223,128	1,033	$ 567.42	96.30%	$	(1)	(1)	
Lake	Union City, GA	1985/87	1997	320	342,400	1,070	$ 666.02	93.13%	$	(1)	(1)	
aks	Valdosta, GA	1983/84	1997	240	247,920	1,033	$ 613.68	89.58%	$	(1)	(1)	
on	Warner Robins, GA	1997	2000	200	218,400	1,092	$ 673.33	96.00%	$	9,031	6.850%	11/1/2008
d	Warner Robins, GA	1987/90	1997	304	354,768	1,167	$ 677.27	98.68%	$	(1)	(1)	
at ke	Woodstock, GA	1999	1998	502	575,794	1,147	$ 704.22	94.02%	$	(1)	(1)	
				5,979	6,384,816	1,068	$ 683.34	94.41%	$	27,445		
s at	Bowling Green, KY	1996	1997	240	251,280	1,047	$ 637.02	98.33%	$	(1)	(1)	
	Florence, KY	1994	1997	200	207,000	1,035	$ 703.11	96.50%	$	9,666	5.875%	1/1/2044
on	Lexington, KY	2000	1999	370	432,530	1,169	$ 815.54	91.35%	$	(1)	(1)	
nte	Lexington, KY	1986	1994	118	90,624	768	$ 619.18	93.22%	$	(1)	(1)	
,	Lexington, KY	1989	1994	184	138,736	754	$ 617.21	94.57%	$	(1)	(1)	
The	Lexington, KY	1989	1994	252	182,700	725	$ 598.86	89.68%	$	(1)	(1)	
ll	Louisville, KY	1985	1994	384	324,096	844	$ 607.17	92.19%	$	(1)	(1)	
				1,748	1,626,966	931	$ 667.02	93.31%	$	9,666		
s	Grenada, MS	1972	1985	96	81,984	854	$ 407.41	97.92%	$	(1)	(1)	
nds	Jackson, MS	1988/90	1996	360	443,160	1,231	$ 668.89	94.72%	$	(1)	(1)	
	Jackson, MS	1985	1994	389	338,430	870	$ 624.79	95.89%	$	(1)	(1)	
on	Jackson, MS	1986	1988	296	254,856	861	$ 639.96	96.62%	$	5,880(11)	1.770%(11)	5/15/2031
t	Jackson, MS	1981	1995	144	126,864	881	$ 581.16	95.14%	$	(1)	(1)	
ge	Jackson, MS	1987	1988	192	175,104	912	$ 564.30	96.88%	$	(1)	(1)	

									Encumbrances at December 31, 2004		
re	Ridgeland, MS	1974	1994	196	171,108	873	$ 586.41	94.90%	$ (1)	(1)	
h	Southaven, MS	1989	1996	204	237,048	1,162	$ 663.88	94.61%	$ (1)	(1)	
lace	Southaven, MS	1991	1996	253	268,686	1,062	$ 649.85	92.89%	$ (1)	(1)	
				2,130	2,097,240	985	$ 619.34	95.35%	$ 5,880		
ge at e	Cary, NC	1988	1997	194	169,750	875	$ 601.47	95.36%	$ (1)	(1)	
eam	Greensboro, NC	1983	1994	304	217,056	714	$ 530.83	96.05%	$ (1)	(1)	
The	Winston-Salem, NC	1982	1993	240	173,520	723	$ 538.55	94.58%	$ (2)	(2)	
				738	560,326	759	$ 551.91	95.39%	$		
s at ak	Cincinnati, OH	1988	1994	214	214,428	1,002	$ 672.94	90.65%	$ (1)	(1)	
t rk	Aiken, SC	1989/91	1997	184	174,800	950	$ 660.86	94.57%	$ (1)	(1)	
nds	Aiken, SC	1988	1997	144	165,168	1,147	$ 625.60	95.14%	$ (1)	(1)	
ood	Anderson, SC	1980	1994	168	146,664	873	$ 554.50	95.24%	$ (1)	(1)	
s,	Columbia, SC	1992	1994	240	213,840	891	$ 589.75	93.75%	$ 7,735(12)	1.809%(12)	5/15/2031
a	Columbia, SC	1989/95	1997	336	367,584	1,094	$ 702.03	91.96%	$ (1)	(1)	
d	Greenville, SC	1984	1995	168	143,976	857	$ 488.97	97.02%	$ (9)	(9)	
ns	Greenville, SC	1986/88	1997	348	292,668	841	$ 501.60	90.80%	$ (1)	(1)	
le	Greenville, SC	1996	1997	208	212,160	1,020	$ 657.71	92.31%	$ (1)	(1)	

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								Encumbrances at December 31, 2004		
Location	**Year Completed**	**Year Management Commenced**	**Number of Units**	**Approximate Rentable Area (Square Footage)**	**Average Unit Size (Square Footage)**	**Monthly Rent per Unit at December 31, 2004**	**Average Occupancy Percent at December 31, 2004**	**Mortgage Principal (000 s)**	**Interest Rate**	**Ma**
Greenville, SC	1983	1993	208	156,832	754	$ 505.10	100.00%	$ (1)	(1)	
Greenville, SC	1985	1995	208	182,000	875	$ 495.17	99.52%	$ (9)	(9)	
Mt. Pleasant, SC	1988	1995	208	177,840	855	$ 758.58	98.56%	$ (9)	(9)	
Spartanburg, SC	1987	1997	184	195,224	1,061	$ 601.56	90.76%	$ (1)	(1)	
			2,604	2,428,756	933	$ 596.12	94.59%	$ 7,735		
Chattanooga, TN	1989	1992	361	256,671	711	$ 519.19	95.57%	$ (1)	(1)	
Chattanooga, TN	1987	1988	300	259,200	864	$ 540.94	90.00%	$ (1)	(1)	
Chattanooga, TN	1986	1991	108	98,604	913	$ 612.69	93.52%	$ (1)	(1)	

								Encumbrances at December 31, 2004		
Chattanooga, TN	1984	1997	174	238,728	1,372	$ 702.24	96.55%	$ 5,465(16)	1.770%(16)	5/1
Jackson, TN	1978	1993	100	87,500	875	$ 556.77	90.00%	$ (1)	(1)	
Jackson, TN	1987	1989	150	163,650	1,091	$ 614.57	94.00%	$ 5,095	1.770%	10/1
Jackson, TN	1987	1989	144	144,720	1,005	$ 605.12	95.14%	$ 3,375(13)	1.770%(13)	5/1
Jackson, TN	1987	1994	148	121,360	820	$ 551.73	93.92%	$ (1)	(1)	
Jackson, TN	1997	1995	122	118,950	975	$ 635.83	95.08%	$ 5,056	6.070%	9/
Memphis, TN	1973/86	1982/94	276	297,804	1,079	$ 616.61	92.75%	$ (1)	(1)	
Memphis, TN	1973	1984	432	356,400	825	$ 537.56	79.17%	$ (1)	(1)	
Memphis, TN	1975	1990	184	189,520	1,030	$ 625.01	92.39%	$ (1)	(1)	
Memphis, TN	1974/78/83/86	1988	1,037	939,522	906	$ 583.14	93.15%	$ (4)	(4)	
Memphis, TN	1985	1994	200	150,200	751	$ 558.43	96.50%	$ (1)	(1)	
Memphis, TN	1978	1994	371	310,156	836	$ 615.29	94.07%	$ (1)	(1)	
Memphis, TN	1988/98	1994	618	535,188	866	$ 658.57	92.88%	$ (1)	(1)	
Memphis, TN	1974	1977	82	96,924	1,182	$ 843.50	98.78%	$ (4)	(4)	
Memphis, TN	1999/01	1998	740	792,540	1,071	$ 737.66	93.51%	$ (5)	(5)	
Memphis, TN	1981/85	1997	440	370,920	843	$ 571.97	95.23%	$ (1)	(1)	
Murfreesboro, TN	1999	1998	240	268,800	1,120	$ 800.33	90.42%	$ (1)	(1)	
Nashville, TN	1986	1994	286	220,220	770	$ 669.43	100.00%	$ (1)	(1)	
Nashville, TN	2001	1999	433	479,331	1,107	$ 825.53	95.61%	$ (1)	(1)	
Nashville, TN	2001	2004	456	427,728	938	$ 693.61	96.05%	$ 23,028	5.000%	1/1
Nashville, TN	1987	1995	440	392,480	892	$ 584.53	96.82%	$ 6,645(17)	1.770%(17)	2/1
			7,842	7,317,116	933	$ 635.37	93.47%	$ 48,664		
Arlington, TX	1980	1998	270	224,100	830	$ 577.69	91.11%	$ (2)	(2)	
Austin, TX	1983	1997	384	313,728	817	$ 628.32	95.57%	$ (2)	(2)	
Austin, TX	1996	2004	210	198,240	944	$ 997.90	96.19%	$ 11,519	6.983%	9/2
Austin, TX	1985	1995	288	248,832	864	$ 616.63	86.11%	$ 4,050(18)	1.770%(18)	10/1
Austin, TX	1987	1995	304	249,888	822	$ 533.73	97.70%	$ 3,585(19)	1.770%(19)	2/1
Austin, TX	1977	1997	278	214,060	770	$ 758.31	94.96%	$ (2)	(2)	
Dallas, TX	1978	1994	410	374,740	914	$ 695.70	85.61%	$ (8)	(8)	
Dallas, TX	1986	1998	232	168,200	725	$ 656.00	92.67%	$ (2)	(2)	
Dallas, TX	1985	1998	304	206,720	680	$ 619.10	93.42%	$ (2)	(2)	
Dallas, TX	1983	1994	260	226,200	870	$ 659.06	88.08%	$ (8)	(8)	
Dallas, TX	2002	2004	240	205,200	855	$ 718.42	87.92%	$ (8)	(8)	

								Encumbrances at December 31, 2004	
Houston, TX	1999	2003	308	283,360	920	$ 908.06	95.78%	$ (2)	(2)
Katy, TX	1984	1994	274	197,280	720	$ 596.74	87.23%	$ (8)	(8)
Katy, TX	2000	1999	320	318,080	994	$ 787.95	92.19%	$ (2)	(2)
Mesquite, TX	1983	1994	384	277,632	723	$ 622.38	86.46%	$ (2)	(2)

Location	Year Completed	Year Management Commenced	Number of Units	Approximate Rentable Area (Square Footage)	Average Unit Size (Square Footage)	Monthly Rent per Unit at December 31, 2004	Average Occupancy Percent at December 31, 2004	Encumbrances at December 31, 2004 Mortgage Principal (000 s)	Interest Rate
Plano, TX	1983	1998	196	156,800	800	$ 645.27	90.31%	$ (4)	(4)
Plano, TX	2000	2003	498	470,112	944	$ 747.43	92.37%	$ (2)	(2)
Spring, TX	1984	1994	208	160,576	772	$ 618.11	88.46%	$ (8)	(8)
Stafford, TX	1996	2004	274	244,682	893	$ 866.43	95.62%	$ 14,860	6.983%
Woodlands, TX	1984	1994	200	152,200	761	$ 651.33	95.00%	$ (8)	(8)
			5,842	4,890,630	837	$ 694.30	91.54%	$ 34,014	
Hampton, VA	1987	1995	296	248,048	838	$ 790.41	95.27%	$ 10,800(14)	1.770%(14)
			36,618	**34,757,112**	**949**	**$ 679.82**	**93.58%**		
Buford, GA	2000	2002	464	517,360	1,115	$ 758.93	94.40%	N/A	
Dallas, TX	1999	2004	522	500,076	958	$ 1,124.66	87.93%	N/A	
Grand Prairie, TX	1996	2003	300	286,500	955	$ 782.29	92.00%	N/A	
			1,286	**1,303,936**	**1,014**	**$ 912.83**	**91.21%**		
			37,904	**36,061,048**	**951**	**$ 687.73**	**93.50%**		

(1) Encumbered by a $600 million FNMA facility, with $574.1 million available and $529.8 million outstanding with a variable interest rate of 3.020% on which there exists thirteen interest rate swap agreements totaling $440 million at an average rate of 5.853% at December 31, 2004.

(2) Encumbered by a $250 million FNMA facility, with $183.8 available and $173.6 million outstanding, $63.6 million of which had a variable interest rate of 2.967%, $65 million with a fixed rate of 7.712%, $25 million with a fixed rate of 6.920% and $20 milllion with a fixed rate of 5.770% at December 31, 2004.

(3) Phase I of Paddock Park Ocala is encumbered by $6.8 million in bonds on which there exists a $6.8 million interest rate cap of 6.000% which terminates on October 24, 2007.

(4) Encumbered, along with one corporate property, by a mortgage with a principal balance of $40 million at December 31, 2004, with a maturity of April 1, 2009 and an interest rate of 3.419% on which there is a $25 million interest rate swap agreement with a rate of 4.580%.

(5) Encumbered by a credit line with AmSouth Bank, with an outstanding balance of $12.3 million at December 31, 2004.

(6) Encumbered by a mortgage securing a tax-exempt bond amortizing over 25 years with principal balance of $13.8 million at December 31, 2004, and an average interest rate of 5.867%.

(7) Encumbered by a mortgage securing a tax-exempt bond amortizing over 25 years with a principal balance of $12.7 million at December 31, 2004, and an average interest rate of 5.177%.

(8) Encumbered by a $100 million Freddie Mac facility, with an outstanding balance of $65.4 million and a variable interest rate of 3.061% on which there exists three interest rate swap agreements totaling $51 million at an average rate of 5.280 at December 31, 2004.

(9) Encumbered by a mortgage securing a tax-exempt bond amortizing over 25 years with a principal balance of $8.5 million at December 31, 2004, and an average interest rate of 6.090%.

(10) Encumbered by $7.0 million in bonds on which there exists a $7.0 million interest rate swap agreement fixed at 3.948% and maturing on October 24, 2007.

(11) Encumbered by $5.9 million in bonds on which there exists a $5.9 million interest rate swap agreement fixed at 5.049% and maturing on June 15, 2008.

(12) Encumbered by $7.7 million in bonds on which there exists a $7.7 million interest rate swap agreement fixed at 5.049% and maturing on June 15, 2008.

(13) Encumbered by $3.4 million in bonds on which there exists a $3.4 million interest rate swap agreement fixed at 5.049% and maturing on June 15, 2008.

(14) Encumbered by $10.8 million in bonds on which there exists a $10.8 million interest rate swap agreement fixed at 3.948% and maturing on October 24, 2007.

(15) Encumbered by $3.5 million in bonds on which there exist a $3.0 million interest rate swap agreement fixed at 2.301% and maturing on May 30, 2008.

(16) Encumbered by $5.5 million in bonds on which there exists a $5.0 million interest rate swap agreement fixed at 3.226% and maturing on May 30, 2008.

(17) Encumbered by $6.6 million in bonds on which there exists a $6.6 million interest rate swap agreement fixed at 3.622% and maturing on March 15, 2009. Also encumbered by a $11.7 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 3.084% which there exists a $11.7 million interest rate cap of 6.0% which terminates on March 1, 2009.

(18) Encumbered by $4.0 million in bonds on which there exists a $4.0 million interest rate cap of 6.0% which terminates on March 15, 2009. Also encumbered by a $11.7 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 3.084% which there exists a $11.7 million interest rate cap of 6.0% which terminates on March 1, 2009.

(19) Encumbered by $3.6 million in bonds on which there exists a $3.6 million interest rate swap agreement fixed at 3.622% and maturing on March 15, 2009. Also encumbered by a $11.7 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 3.084% which there exists a $11.7 million interest rate cap of 6.0% which terminates on March 1, 2009.

ITEM 3. LEGAL PROCEEDINGS

The Company is not presently subject to any material litigation nor, to the Company s knowledge, is any material litigation threatened against the Company. The Company is presently subject to routine litigation arising in the ordinary course of business, some of which is expected to be covered by liability insurance and none of which is expected to have a material adverse effect on the business, financial condition, liquidity or results of operations of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

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

The Company s common stock has been listed and traded on the New York Stock Exchange (NYSE) under the symbol MAA since its initial public offering in February 1994. On February 28, 2005, the reported last sale price of the Company s common stock on the NYSE was $37.56 per share, and there were approximately 1,500 holders of record of the common stock. The Company estimates there are approximately 11,000 beneficial owners of its common stock. On February 28, 2005, there was one holder of record of the 9-1/4% Series F Cumulative Redeemable Preferred Stock (Series F), three holders of record of the 8-5/8% Series G Cumulative Redeemable Preferred Stock (Series G) and approximately 18 holders of record of the 8.30% Series H Cumulative Redeemable Preferred Stock (Series H). The following table sets forth the quarterly high and low sales prices of the Company s common stock as reported on the NYSE and the dividends declared by the Company with respect to the periods indicated.

	Sales Prices		
	High	Low	Dividends Declared
2004:			
First Quarter	$37.400	$33.420	$0.585
Second Quarter	$38.640	$30.750	$0.585
Third Quarter	$40.900	$35.130	$0.585
Fourth Quarter	$41.740	$37.920	$0.585
2003:			
First Quarter	$24.980	$23.100	$0.585
Second Quarter	$27.450	$23.670	$0.585
Third Quarter	$31.450	$26.740	$0.585
Fourth Quarter	$34.290	$30.020	$0.585

The Company s quarterly dividend rate is currently $0.585 per common share. The Board of Directors reviews and declares the dividend rate quarterly. Actual dividends made by the Company will be affected by a number of factors, including the gross revenues received from the Communities, the operating expenses of the Company, the interest expense incurred on borrowings and unanticipated capital expenditures.

The Company currently pays a preferential regular distribution on the Series F stock, Series G stock and Series H stock at annual rates of $2.3125, $2.15625 and $2.075 per share, respectively. No distribution may be made on the Company s common stock unless all accrued distributions have been made with respect to each series of the Company s preferred stock. No assurance can be given that the Company will be able to maintain its distribution rate on its common stock or make required distributions with respect to the Series F, Series G and Series H preferred stock.

The Company expects to make future quarterly distributions to shareholders; however, future distributions by the Company will be at the discretion of the Board of Directors and will depend on the actual funds from operations of the Company, its financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and such other factors as the Board of Directors deems relevant.

The Company has established the Direct Stock Purchase and Distribution Reinvestment Plan (the DRSPP) under which holders of common stock, preferred stock and limited partnership interests in Mid-America Apartments, L.P. can elect automatically to reinvest their distributions in additional shares of common stock. The plan also allows for the optional purchase of common stock of at least $250, but not more than $5,000 in any given month, free of brokerage commissions and charges. The Company, in its absolute discretion, may grant waivers to allow for optional cash payments in excess of $5,000. To fulfill its obligations under the DRSPP, the Company may either issue additional shares of common stock or repurchase common stock in the open market. The Company may elect to sell shares under the DRSPP at up to a 5% discount.

In 2004, the Company issued a total of 413,598 shares through its DRSPP and offered a 2% discount for optional cash purchases in the months of August through December.

The following table provides information with respect to compensation plans under which our equity securities are authorized for issuance as of December 31, 2004.

	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)(1)	**Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)(1)**	**Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) (c)(2)**
Equity compensation plans approved by security holders	674,066	$ 24.30	606,599
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	674,066	$ 24.30	606,599

(1) Columns (a) and (b) above do not include 104,698 shares of restricted stock that are subject to vesting requirements which were issued through the Company s Fourth Amended and Restated 1994 Restricted Stock and Stock Option Plan or 43,401 shares of common stock which have been purchased by employees through the Employee Stock Purchase Plan. See Note 8 of the consolidated financial statements for more information on these plans.

(2) Column (c) above includes 500,000 shares available to be issued under the Company s 2004 Stock Plan and 106,599 shares available to be issued under the Company s Employee Stock Purchase Plan. See Note 8 of the consolidated financial statements for more information on these plans.

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data on an historical basis for the Company. This data should be read in conjunction with the consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Annual Report on Form 10-K.

MID-AMERICA APARTMENT COMMUNITIES, INC.
SELECTED FINANCIAL DATA
(Dollars in thousands except per share data)

	Year Ended December 31,				
	2004	**2003**	**2002**	**2001**	**2000**
Operating Data:					
Total revenues	$ 267,784	$ 236,762	$ 228,851	$ 228,015	$ 222,131
Expenses:					
Property operating expenses	112,748	98,692	90,869	87,658	84,638
Depreciation	68,653	58,074	54,285	51,091	50,898
Property management and general and administrative expenses	19,597	15,670	15,298	16,083	14,826
Income from continuing operations before non-operating items	66,786	64,326	68,399	73,183	71,769
Interest and other non-property income	593	835	729	1,301	1,511
Interest expense	(50,858)	(44,991)	(48,381)	(51,487)	(49,556)
Gain (loss) on debt extinguishment	1,095	111	(1,441)	(1,189)	(243)
Amortization of deferred financing costs	(1,753)	(2,050)	(2,700)	(2,339)	(2,748)
Minority interest in operating partnership income	(2,264)	(1,360)	(388)	(2,417)	(2,587)
Loss from investments in unconsolidated entities	(287)	(949)	(532)	(296)	(157)
Net gain on insurance and other settlement proceeds	2,683	2,860	397	11,933	11,595
Gain on disposition within unconsolidated entities	3,249				
Income from continuing operations	19,244	18,782	16,083	28,689	29,584
Discontinued operations:					
Income (loss) from discontinued operations before asset impairment, settlement proceeds and gain on sale	(197)	(577)	58	9	203
Asset impairment of discontinued operations	(200)				
Net gain on insurance and other settlement proceeds of discontinued operations	526	82			
Gain on sale of discontinued operations	5,825	1,919			

	Year Ended December 31,				
Net income	25,198	20,206	16,141	28,698	29,787
Preferred dividend distribution	14,825	15,419	16,029	16,113	16,114
Premiums and original issuance costs associated with the redemption of preferred stock		5,987	2,041		
Net income (loss) available for common shareholders	$ 10,373	$ (1,200)	$ (1,929)	$ 12,585	$ 13,673

	Year Ended December 31,				
	2004	2003	2002	2001	2000
Per Share Data:					
Weighted average shares outstanding (in thousands):					
Basic	20,317	18,374	17,561	17,427	17,544
Effect of dilutive stock options	335			105	53
Diluted	20,652	18,374	17,561	17,532	17,597
Net income (loss) available for common shareholders	$ 10,373	$ (1,200)	$ (1,929)	$ 12,585	$ 13,673
Discontinued property operations	(5,954)	(1,424)	(58)	(9)	(203)
Income (loss) from continuing operations available for common shareholders	$ 4,419	$ (2,624)	$ (1,987)	$ 12,576	$ 13,470
Earnings per share basic:					
Income (loss) from continuing operations available for common shareholders	$ 0.22	$ (0.14)	$ (0.11)	$ 0.72	$ 0.77
Discontinued property operations	0.29	0.07			0.01
Net income (loss) available for common shareholders	$ 0.51	$ (0.07)	$ (0.11)	$ 0.72	$ 0.78
Earnings per share diluted:					
Income (loss) from continuing operations available for common shareholders	$ 0.21	$ (0.14)	$ (0.11)	$ 0.72	$ 0.77
Discontinued property operations	0.29	0.07			0.01
Net income (loss) available for common shareholders	$ 0.50	$ (0.07)	$ (0.11)	$ 0.72	$ 0.78
Balance Sheet Data:					
Real estate owned, at cost	$1,862,850	$1,695,111	$1,478,793	$1,449,720	$1,430,378
Real estate assets, net	$1,459,952	$1,351,849	$1,192,539	$1,216,933	$1,244,475
Total assets	$1,522,307	$1,406,533	$1,239,467	$1,263,488	$1,303,771
Total debt	$1,083,473	$ 951,941	$ 803,703	$ 779,664	$ 781,089
Minority interest	$ 31,376	$ 32,019	$ 33,405	$ 43,902	$ 50,020

	Year Ended December 31,				
Shareholders equity	$ 357,325	$ 361,294	$ 338,171	$ 398,358	$ 435,356
Other Data (at end of period):					
Market capitalization (shares and units)	$1,145,183	$ 939,581	$ 673,431	$ 709,224	$ 634,903
Ratio of total debt to total capitalization(1)	48.6%	50.3%	54.4%	52.4%	55.2%
Number of properties, including joint venture ownership interest(2)	132	127	123	122	124
Number of apartment units, including joint venture ownership interest(2)	37,904	35,734	33,923	33,411	33,612

(1) Total capitalization is total debt and market capitalization of preferred shares (value based on $25 per share liquidation preference), common shares and partnership units (value based on common stock equivalency).

(2) Property and apartment unit totals have not been adjusted for properties held for sale.

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

RISKS ASSOCIATED WITH FORWARD-LOOKING STATEMENTS

This and other sections of this Annual Report contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. These statements include, but are not limited to, statements about anticipated growth rate of revenues and expenses, planned asset dispositions, disposition pricing, planned acquisition and developments, property financings, and expected interest rates. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this report on Form 10-K will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

The following are risks that the Company believes could cause results to differ from projected or forecasted results or could have a material adverse effect on the Company s business.

The Company s ability to make distributions may be adversely affected by factors beyond its control

The Company s ability to generate sufficient cash flow in order to pay common dividends to its shareholders depends on its ability to generate funds from operations in excess of capital expenditure requirements and common dividends, and/or to have access to the markets for debt and equity financing. Funds from operations and the value of the Company s properties may be less because of factors which are beyond the Company s control. Such events or conditions could include:

competition from other apartment communities;

overbuilding of new apartment units or oversupply of available apartment units in the Company s markets, which might adversely affect apartment occupancy or rental rates and/or require rent concessions in order to lease apartment units;

increases in operating costs (including real estate taxes and insurance premiums) due to inflation and other factors, which may not be offset by increased rents;

the Company s inability to rent apartments on favorable economic terms;

changes in governmental regulations and the related costs of compliance;

changes in tax laws and housing laws including the enactment of rent control laws or other laws regulating multifamily housing;

changes in interest rate levels and the availability of financing, which could lead renters to purchase homes (if interest rates decrease and home loans are more readily available) or increase the Company s acquisition and operating costs (if interest rates increase and financing is less readily available);

weakness in the overall economy which lowers job growth and the associated demand for apartment housing;

decisions relating to the dispositions of assets by the Company s Joint Ventures; and

the relative illiquidity of real estate investments.

Currently, the Company relies on external funding sources to fully fund the payment of distributions to shareholders at the current rate. While the Company has sufficient liquidity to permit distributions at current rates through additional borrowings, any significant and sustained deterioration in operations could result in the Company s financial resources being insufficient to pay distributions to shareholders at the current rate, in which event the Company would be required to reduce the distribution rate. Any decline in the Company s

funds from operations could adversely affect the Company s ability to make distributions to its shareholders or to met its loan covenants and could have a material adverse effect on the Company s stock price.

Debt level and refinancing risk may adversely affect financial condition and operating results

At December 31, 2004, the Company had total debt outstanding of $1.083 billion. Payments of principal and interest on borrowings may leave the Company with insufficient cash resources to operate the Communities or pay distributions required to be paid in order for the Company to maintain its qualification as a REIT. The Company currently intends to limit its total debt to approximately 60% of the undepreciated book value of its assets, although the Company s charter and bylaws do not limit its debt levels. Circumstances may cause the Company to exceed that target from time to time. As of December 31, 2004, the Company s ratio of debt to undepreciated book value was approximately 56%. The Company s Board of Directors can modify this policy at any time which could allow the Company to become more highly leveraged and decrease its ability to make distributions to its shareholders. In addition, the Company must repay its debt upon maturity, and the inability to access debt or equity capital at attractive rates could adversely affect the Company s financial condition and/or its funds from operations.

Variable interest rates may adversely affect funds from operations

At December 31, 2004, effectively $201.6 million of the Company s debt bore interest at a variable rate and was not hedged by interest rate swaps or caps. An additional $50 million also bore interest at a variable rate at December 31, 2004, but was hedged by an interest rate swap that becomes operative in May 2005. In addition, the Company may incur additional debt in the future that also bears interest at variable rates. Variable-rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect the Company s funds from operations and the amounts available to pay distributions to shareholders.

The Company s $950 million secured credit facilities with Prudential Mortgage Capital, credit enhanced by Fannie Mae, are predominately floating rate facilities. The Company also has a $100 million credit facility with Freddie Mac which is a variable rate facility. These facilities represent the majority of the variable interest rates the Company was exposed to at December 31, 2004. Large portions of the interest rates on these facilities have been hedged by means of a number of interest rate swaps and caps. Upon the termination of these swaps and caps, the Company will be exposed to the risks of varying interest rates.

Increasing real estate taxes and insurance costs may negatively impact financial condition

Because the Company has substantial real estate holdings, the cost of real estate taxes and insuring its Communities is a significant component of expense. Real estate taxes and insurance premiums are subject to significant increases and fluctuations which can be widely outside of the control of the Company. If the costs associated with real estate taxes and insurance should rise, the Company s financial condition could be negatively impacted and the Company s ability to pay its dividend could be affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following discussion and analysis of financial condition and results of operations are based upon the Company s consolidated financial statements, and the notes thereto, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these consolidated financial statements requires the Company to make a number of estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. On an ongoing basis, the Company evaluates its estimates and assumptions based upon historical experience and various other factors and circumstances. The Company believes that its estimates and assumptions are reasonable in the circumstances; however, actual results may differ from these estimates and assumptions.

The Company believes that the estimates and assumptions that are most important to the portrayal of its financial condition and results of operations, in that they require the most subjective judgments, form the basis

of accounting policies deemed to be most critical. These critical accounting policies include capitalization of expenditures and depreciation of assets, impairment of long-lived assets, including goodwill, and fair value of derivative financial instruments.

Capitalization of expenditures and depreciation of assets

The Company carries its real estate assets at their depreciated cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets, which range from 8 to 40 years for land improvements and buildings, 5 years for furniture, fixtures, and equipment, and 3 to 5 years for computers and software, all of which are judgmental determinations. Repairs and maintenance costs are expensed as incurred while significant improvements, renovations, and replacements are capitalized. The cost to complete any deferred repairs and maintenance at properties acquired by the Company in order to elevate the condition of the property to the Company s standards are capitalized as incurred.

Impairment of long-lived assets, including goodwill

The Company accounts for long-lived assets in accordance with the provisions of Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (Statement 144) and evaluates its goodwill for impairment under Statement No. 142, Goodwill and Other Intangible Assets (Statement 142). The Company evaluates its goodwill for impairment on an annual basis in the Company s fiscal fourth quarter, or sooner if a goodwill impairment indicator is identified. The Company periodically evaluates its long-lived assets, including its investments in real estate and goodwill, for indicators that would suggest that the carrying amount of the assets may not be recoverable. The judgments regarding the existence of such indicators are based on factors such as operating performance, market conditions, and legal factors.

In accordance with Statement 144, long-lived assets, such as real estate assets, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

Goodwill is tested annually for impairment, and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset s fair value. This determination is made at the reporting unit level and consists of two steps. First, the Company determines the fair value of a reporting unit and compares it to its carrying amount. In the apartment industry, the primary method used for determining fair value is to divide annual operating cash flows by an appropriate capitalization rate. The Company determines the appropriate capitalization rate by reviewing the prevailing rates in a property s market or submarket. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit s goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with Statement No. 141, *Business Combinations*. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

Fair value of derivative financial instruments

The Company utilizes certain derivative financial instruments, primarily interest rate swaps and caps, during the normal course of business to manage, or hedge, the interest rate risk associated with the Company s variable rate debt or as hedges in anticipation of future debt transactions to manage well-defined interest rate

risk associated with the transaction. The valuation of the derivative financial instruments under Statement No. 133 as amended requires the Company to make estimates and judgments that affect the fair value of the instruments.

In order for a derivative contract to be designated as a hedging instrument, the relationship between the hedging instrument and the hedged item must be highly effective. While the Company s calculation of hedge effectiveness contains some subjective determinations, the historical correlation of the cash flows of the hedging instruments and the underlying hedged item are measured by the Company before entering into the hedging relationship and have been found to be highly correlated.

The Company performs ineffectiveness tests using the change in the variable cash flows method at the inception of the hedge and for each reporting period thereafter, through the term of the hedging instruments. Any amounts determined to be ineffective are recorded in earnings. The change in fair value of the interest rate swaps and caps designated as cash flow hedges are recorded to accumulated other comprehensive income in the statement of shareholders equity.

OVERVIEW OF THE YEAR ENDED DECEMBER 31, 2004

The Company s results for 2004 were positively impacted by both internal and external growth.

The Company achieved internal growth in 2004 as same store operating results were helped by early signs of economic recovery in the Company s geographic areas of operation. Occupancy performance improved from the prior year, but was somewhat offset by a continued use of a higher than historical level of rental concessions.

The Company grew externally during 2004 by following its acquisition strategy to invest in large and mid-sized growing markets in the southeastern United States and in Texas. The Company acquired six properties in 2004.

The financings and acquisitions made during 2004 helped the Company continue its strategy of improving the flexibility of its balance sheet and enhancing its ability to strengthen its dividend coverage.

The following is a discussion of the consolidated financial condition and results of operations of the Company for the years ended December 31, 2004, 2003, and 2002. This discussion should be read in conjunction with all of the consolidated financial statements included in this Annual Report on Form 10-K.

As of December 31, 2004, the total number of apartment units the Company owned or had an ownership interest in, including the properties owned by the Company s Joint Ventures was 37,904 in 132 Communities compared to the 35,734 apartment units in 127 Communities owned at December 31, 2003, and the 33,923 apartment units in 123 Communities owned at December 31, 2002. For properties owned 100% by the Company, the average monthly rental per apartment unit, excluding units in lease-up, increased to $680 at December 31, 2004 from $667 at December 31, 2003 and $661 at December 31, 2002. For these same units, overall occupancy at December 31, 2004, 2003 and 2002 was 93.6%, 92.7%, and 91.9%, respectively.

RESULTS OF OPERATIONS

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2004 TO THE YEAR ENDED DECEMBER 31, 2003

Comparisons of income from property operations for the years ended December 31, 2004 and 2003 were impacted by various factors. As a result of the buyout in August of 2003 of the partnership interest in Bre/Maac Associates, LLC, (the BreMaac Buyout), the Company s joint venture with Blackstone Real Estate Advisors (Blackstone), the Company s consolidated financial statements for 2003 include the impact of approximately only four months of operations of the 10 properties which were previously owned by the joint venture and accounted for using the equity method. The Company s consolidated financial statements for 2004 include a full twelve months of operations for these 10 properties. The Company s consolidated financial statements for 2003 also included only partial year results for the four properties acquired during 2003 (one of which was subsequently transferred to Mid-America CH/Realty, LP, the Company s joint venture with Crow Holdings (the Green Oaks Transfer)). The Company also acquired an additional six properties during the

course of 2004. During 2003, the Company had two development communities which completed lease-up. Finally, the Company s performance during 2004 and 2003 was impacted by changes in performance of the communities that were held throughout both periods.

Property revenues for the year ended December 31, 2004, increased by approximately $31,262,000 from the year ended December 31, 2003 due to (i) a $12,481,000 increase in property revenues from the BreMaac Buyout, (ii) a $7,759,000 increase in property revenues from the six communities acquired in 2004 (the 2004 Acquisitions), (iii) a $7,372,000 increase in property revenues from the acquisitions of the Los Rios Park, Lighthouse Court and Legacy Pines communities in 2003 (the 2003 Acquisitions), (iv) a $4,062,000 increase in property revenues from the communities held throughout both periods, and (v) a $189,000 increase in property revenues from the communities in lease-up in 2003 (the Communities in Lease-up). These increases were partially offset by a decrease in property revenues of $601,000 due to the Green Oaks Transfer.

Property operating expenses include costs for property personnel, building repairs and maintenance, real estate taxes and insurance, utilities, landscaping and other property related costs. Property operating expenses for the year ended December 31, 2004, increased by approximately $14,056,000 from the year ended December 31, 2003, due primarily to increases of property operating expenses of (i) $6,008,000 from the BreMaac Buyout, (ii) $3,966,000 from the 2003 Acquisitions, (iii) $3,307,000 from the 2004 Acquisitions, (iv) $593,000 from the communities held throughout both periods, (v) $514,000 from expenses related to the extraordinary hurricane season in 2004, and (vi) $27,000 from the Communities in Lease-up. These increases were partially offset by a decrease in property operating expenses of $359,000 from the Green Oaks Transfer.

Depreciation expense increased by approximately $10,579,000 primarily due to the increases of depreciation expense of (i) $3,659,000 from the 2003 Acquisitions, (ii) $3,362,000 from the 2004 Acquisitions, (iii) $2,781,000 from the BreMaac Buyout, and (iv) $802,000 from the communities held throughout both periods. These increases were partially offset by a decrease in depreciation expense of $25,000 from the Communities in Lease-up.

Property management expenses increased by approximately $1,922,000 from the year ended December 31, 2003 to the year ended December 31, 2004 partially due to increased personnel expenses and incentive compensation related to property acquisitions. General and administrative expenses increased by approximately $2,005,000 over this same period partially related to expenses associated with the implementation of new property management software and expenses resulting from new regulatory requirements.

Interest expense increased approximately $5,867,000 from 2003 due primarily to the increase in the amount of debt outstanding from 2003. The Company s average borrowing cost at December 31, 2004 and 2003 was 5.4%.

For the year ended December 31, 2004, the Company recorded a total of approximately $9,074,000 in gains from two property sales, of which approximately $3,249,000 represented the Company s share of the gain from the sale of a property which was owned by one of the Company s joint ventures. In 2003, the Company sold one property and recorded a gain of approximately $1,919,000.

In 2004 and 2003, the Company refinanced the debt on several of its communities primarily to take advantage of the lower interest rate environment. This resulted in gains of approximately $1,095,000 and $111,000 related to the early extinguishment of debt in 2004 and 2003, respectively.

For the years ended December 31, 2004, and 2003, the Company recorded net gains on insurance and other settlement proceeds totaling approximately $2,683,000, mainly related to insurance settlements from fires at some of the Company s Communities, and approximately $2,860,000, mainly related to insurance settlements from the fire at the Company s headquarters in March 2002, respectively.

Primarily as a result of the foregoing, net income increased by $4,992,000 in 2004 over 2003.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2003 TO THE YEAR ENDED DECEMBER 31, 2002

Comparisons of income from property operations for the years ended December 31, 2003 and 2002 were impacted by four main factors. First, as a result of the BreMaac Buyout the Company s consolidated financial statements for 2003 include the impact of only four months of operations of the 10 properties which were

previously owned by the joint venture and accounted for using the equity method. Second, the Company acquired four properties in 2003 (one of which was subsequently transferred to Mid-America CH/Realty, LP, the Company s joint venture with Crow Holdings). Third, during the years 2003 and 2002, the Company still had three development communities which were in various stages of lease-up (the Development Communities). Finally, the Company s performance during 2003 and 2002 was impacted by changes in performance of the communities that were held throughout both periods.

Property revenues for 2003 increased by approximately $7,864,000 due primarily to increases of (i) $6,156,000 from the BreMaac Buyout, (ii) $3,841,000 from the 2003 Acquisitions and the purchase of the Green Oaks apartments, and (iii) $1,431,000 from the Development Communities. These increases were partially offset by a decrease in property revenues of $3,564,000 from the communities owned throughout both periods.

Property operating expenses include costs for property personnel, building repairs and maintenance, real estate taxes and insurance, utilities, landscaping and other property related costs. Property operating expenses for 2003 increased by approximately $7,823,000 due primarily to increases of (i) $2,999,000 due to the BreMaac Buyout, (ii) $2,623,000 from the communities held throughout both periods, (iii) $1,908,000 due to the 2003 Acquisitions and the purchase of the Green Oaks apartments, and (iv) $293,000 due to the Development Communities.

Depreciation and amortization expense increased by approximately $3,789,000 from the prior year primarily due to increases of (i) $2,304,000 due to the BreMaac Buyout, (ii) $1,460,000 due to the 2003 Acquisitions, (iii) $1,000 due to the communities owned throughout both periods and (iv) $24,000 from the Development Communities.

Property management expenses decreased approximately $198,000 as compared to the prior year. The decrease was mainly due to reductions in bonuses. General and administrative expense increased approximately $570,000 as compared to the prior year. This increase was mainly related to increased compensation incentives and salaries, partially related to the addition of new personnel hired to address recent regulatory requirements.

Interest expense decreased approximately $3,390,000 from 2002 due primarily to the Company s ability to take advantage of the decline in interest rates in 2002 and 2003. The Company s average borrowing cost at December 31, 2003 was 5.4% as compared to 5.8% on December 31, 2002.

For the years ended December 31, 2003, and 2002, the Company recorded net gains on insurance and other settlement proceeds totaling approximately $2,860,000, mainly related to insurance settlements from the fire at the Company s headquarters in March 2002, and approximately $397,000, primarily related to insurance settlements, respectively.

In 2003 and 2002, the Company refinanced several of its communities primarily to take advantage of the lower interest rate environment. This resulted in a gain of approximately $111,000 related to the early extinguishment of debt in 2003 and a loss of approximately $1,441,000 in 2002.

In 2003, the Company recorded a gain on discontinued operations of approximately $1,919,000 related to the sale of the Crossings apartments in 2003. No properties were sold in 2002.

Primarily as a result of the foregoing, net income increased by approximately $4,065,000 in 2003 over 2002.

FUNDS FROM OPERATIONS

Funds from operations (FFO) represents net income (computed in accordance with U.S. generally accepted accounting principles, or GAAP) excluding extraordinary items, minority interest in Operating Partnership income, gain on disposition of real estate assets, plus depreciation of real estate, and adjustments for joint ventures to reflect FFO on the same basis. This definition of FFO is in accordance with the National Association of Real Estate Investment Trust s (NAREIT) definition. Disposition of real estate assets includes sales of discontinued operations as well as proceeds received from insurance and other settlements from property damage.

In response to the Securities and Exchange Commission s Staff Policy Statement relating to EITF Topic D-42 concerning the calculation of earnings per share for the redemption of preferred stock, the Company has included the amount charged to retire preferred stock in excess of carrying values in its FFO calculation.

The Company s policy is to expense the cost of interior painting, vinyl flooring, and blinds as incurred for stabilized properties. During the stabilization period for acquisition properties, these items are capitalized as part of the total repositioning program of newly acquired properties, and, thus are not deducted in calculating FFO.

FFO should not be considered as an alternative to net income or any other GAAP measurement of performance, as an indicator of operating performance or as an alternative to cash flow from operating, investing, and financing activities as a measure of liquidity. The Company believes that FFO is helpful to investors in understanding the Company s operating performance in that such calculation excludes depreciation expense on real estate assets. The Company believes that GAAP historical cost depreciation of real estate assets is generally not correlated with changes in the value of those assets, whose value does not diminish predictably over time, as historical cost depreciation implies. The Company s calculation of FFO may differ from the methodology for calculating FFO utilized by other REITs and, accordingly, may not be comparable to such other REITs.

The following table is a reconciliation of FFO to net income for the years ended December 31, 2004, 2003 and 2002 (dollars and shares in thousands):

	Years ended December 31,		
	2004	**2003**	**2002**
Net income	$ 25,198	$ 20,206	$ 16,141
Depreciation real estate assets	67,302	56,701	52,928
Net gain on insurance and other settlement proceeds	(2,683)	(2,860)	(397)
Gain on disposition within unconsolidated entities	(3,249)		
Net gain on insurance and other settlement proceeds of discontinued operations	(526)	(82)	
Depreciation real estate assets of discontinued operations	681	1,022	978
Gain on sale of discontinued operations	(5,825)	(1,919)	
Depreciation real estate assets of unconsolidated entities	1,688	2,345	1,430
Gain on sale of non-depreciable assets			(45)
Preferred dividend distribution	(14,825)	(15,419)	(16,029)
Minority interest in operating partnership income	2,264	1,360	388
Premiums and original issuance costs associated with the redemption of preferred stock		(5,987)	(2,041)
Funds from operations	$ 70,025	$ 55,367	$ 53,353
Weighted average shares and units:			
Basic	22,981	21,093	20,415
Diluted	23,316	21,354	20,613

FFO increased during 2004 by approximately $14,658,000 to $70,025,000 versus $55,367,000 in 2003 principally because of the addition of properties through the BreMaac Buyout and 2003 and 2004 Acquisitions as previously reviewed in the net income discussion above. FFO for 2002 was $53,353,000. FFO for 2003 and 2002 included charges of $5,987,000 and $2,041,000, respectively, for premiums and original issuance costs associated with the redemption of preferred stock.

TRENDS

Property performance over the past two years has been pressured by an imbalance between supply and demand for apartment units in many of the Company s markets. The economic downturn and the related low interest rate environment have combined to contribute to a temporary decline in demand for apartment units, while allowing delivery levels of newly constructed apartment units to remain consistent with and in some cases above historical averages.

The recent economic environment has impacted demand in two main ways: 1) producing lower job growth, which reduced the number of potential renters in most of the Company s markets, and 2) producing lower interest rates which has increased the affordability of single family housing, prompting more renters to purchase homes.

On the supply side, the declining interest rates have provided an incentive to developers to construct new apartment units in many of the Company s markets, especially in the larger metropolitan markets. Delivery of these new units during this period of weakened apartment demand has increased competition, adding pressure to apartment occupancy levels and pricing in a number of the Company s markets.

As part of its strategy to create continued stable and growing performance, the Company maintains a portfolio of properties diversified across large metropolitan markets, mid-sized markets, and smaller tier markets, as defined by population levels. During the economic downturn, the Company s smaller-tier and mid-sized markets produced more stable performance, while its larger metropolitan markets proved more susceptible to declining job formation and apartment supply imbalances.

The Company is beginning to see indications of stronger job growth in many of its markets, which could indicate an improvement in the general economic environment. As (and if) the economic environment improves, the Company expects to see more household formations and increasing interest rates, which the Company believes will combine to increase the number of apartment renters and decrease the construction of new apartment units.

While increasing interest rates will increase the Company s cost of borrowing, the Company expects that this increase in demand will also generate stronger property performance across the Company s portfolio. The Company s large-tier markets, which have been under the most pressure during the economic downturn, should begin to absorb the oversupply of new apartment units and return to historical occupancy and pricing levels, while the Company s smaller-tier and mid-sized markets will also benefit from improving market fundamentals which support continued stable growth.

Over the long term, general demographic trends are expected to favor apartment owners, as immigration growth, combined with the increasing demand for rental housing from the echo boomers (children of the baby boomers) is expected to produce more apartment renters over the next ten years. The Company believes its portfolio location throughout the Southeast and South central regions of the country position it well to take advantage of these improving demographic trends.

LIQUIDITY AND CAPITAL RESOURCES

Net cash flow provided by operating activities increased by approximately $11,709,000 to $88,229,000 for 2004 compared to $76,520,000 for 2003 mainly related to the growth of the Company through the BreMaac Buyout and the 2003 Acquisitions and 2004 Acquisitions.

Net cash used in investing activities remained relatively stable, increasing from approximately $139,555,000 in 2003 to $168,383,000 in 2004. A total of approximately $138,688,000 was invested in 2003 to acquire properties (including the BreMaac Buyout), this compares to approximately $155,088,000 in 2004. These amounts were only slightly offset by proceeds from dispositions of assets of approximately $26,247,000 in 2003 and $15,679,000 in 2004.

Capital improvements to existing real estate assets during 2004 and 2003 totaled approximately $30,413,000 and $22,832,000, respectively. Recurring capital expenditures were approximately $13,012,000 and $12,846,000, respectively during 2004 and 2003.

Net cash provided by financing activities increased approximately $18,812,000 to $80,492,000 in 2004 from $61,680,000 in 2003. Cash provided from financing activities from credit lines and notes payable increased approximately $58,839,000 from 2003 to 2004 as the Company took advantage of refinancing opportunities to manage interest expense and help accommodate property acquisitions. Proceeds from issuances of common shares and units decreased approximately $34,628,000 from 2003 to 2004 as the Company sold 1,765,000 shares of common stock to certain advisory clients of Cohen & Steers Capital Management, Inc. and to Scudder RREEF Real Estate Fund II, Inc. in 2003 to partially fund the BreMaac Buyout and acquisitions in 2003. In 2004 the Company issued approximately 414,000 shares of common stock through its Direct Stock Purchase and Distribution Reinvestment Plan as compared to 31,484 shares in 2003, as the Company granted a total of $15 million in waivers for purchases from August 2004 to December 2004.

In the first three months of 2004, the Company refinanced $2.3 million of bonds using its secured credit facility with a group of banks led by AmSouth Bank (the AmSouth Facility). The Company refinanced an additional $14.3 million of bonds using its tax-free bond facility, credit enhanced by the Federal National Mortgage Association (FNMA) (the Tax-Free Bond Facility). The Company also refinanced a total of $52.8 million representing the debt on six of the properties it acquired through its partnership buyout of Bre/Maac Associates, LLC in 2003 using a renegotiated secured credit facility with Prudential Mortgage Capital, credit enhanced by FNMA (the FNMA Facility).

During the three month period ended June 30, 2004, the Company refinanced an $11.2 million mortgage using its existing FNMA Facility. The Company amended the AmSouth Facility to extend the maturity by one year and increased the loan to value from 57% to 65%, effectively increasing the borrowing base from $31.7 million to $37.9 million. The Company also paid off the mortgages of five properties. The five properties were then used to collateralize a loan under a new credit agreement with Financial Federal Savings Bank, which was subsequently purchased and credit enhanced by Freddie Mac (the Freddie Mac Facility). The Freddie Mac Facility has a commitment amount of $100 million and a maturity date of July 1, 2011.

During the three month period ended September 30, 2004, the Company refinanced the debt on the remaining four properties it acquired through its partnership buyout of Bre/Maac Associates, LLC in 2003 using the FNMA Facility. The Company also borrowed a total of $31 million from its Freddie Mac Facility in the third quarter of 2004 which is collateralized by the Watermark and Prescott apartments purchased in 2004.

During the three month period ended December 31, 2004, the Company paid off the individual mortgages of five properties using its FNMA Facility. The Company also used the FNMA Facility to pay off loans maturing on three properties with Prudential totaling $47.5 million.

At December 31, 2004, the Tax-Free Bond Facility and the FNMA Facility (together the FNMA Facilities) had a combined credit line limit of $950 million, $839 million of which was available to borrow. The FNMA Facilities have multiple maturity traunches that range from 2010 through 2014. The FNMA Facilities provide for both fixed and variable rate borrowings. The interest rate on the majority of the variable portion renews every 90 days and is based on the FNMA Discount Mortgage Backed Security (DMBS) rate on the date of renewal, which has typically approximated three-month LIBOR less an average spread of 0.04% over the life of the FNMA Facilities, plus a credit enhancement fee of 0.62%.

Each of the Company s credit facilities is subject to various covenants and conditions on usage. If the Company were to fail to satisfy a condition to borrowing, the available credit under one or more of the facilities could not be drawn, which could adversely affect the Company s liquidity. Moreover, if the Company were to fail to make a payment or violate a covenant under a credit facility, after applicable cure periods one or more of its lenders could declare a default, accelerate the due date for repayment of all amounts outstanding and/or foreclose on properties securing such facilities. Any such event could have a material adverse effect on the Company.

The Company uses interest rate swaps to manage its current and future interest rate risk. As of December 31, 2004, the Company had 23 interest rate swaps in effect with a total notional amount of $519 million. These swaps have to date proven to be highly effective hedges. The Company has also entered into a future interest rate swap which will go into effect in the second quarter of 2005. The Company had three interest rate cap agreements in effect as of December 31, 2004, representing a total notional amount of $22.6 million.

The weighted average interest rate at December 31, 2004, for the $1.083 billion of debt outstanding was 5.4% compared to 5.4% on $952 million of debt outstanding at December 31, 2003. Summary details of the debt outstanding at December 31, 2004 follows in the table below:

	Line Limit	**Line Availability**	**Outstanding Balance/ Notional Amount**	**Interest Rate**	**Rate Maturity**	**Contract Maturity**

	Line Limit	Line Availability	Outstanding Balance/ Notional Amount	Interest Rate	Rate Maturity	Contract Maturity
COMBINED DEBT						
Fixed Rate or Swapped						
Conventional			$ 721,327,184	6.4%	1/28/2010	8/28/2012
Tax Exempt			87,960,000	4.8%	6/30/2015	12/24/2018
Subtotal Fixed Rate or Swapped			809,287,184	6.2%	8/31/2010	5/5/2013
Variable Rate						
Conventional			240,756,100	3.1%	3/1/2005	9/21/2011
Tax Exempt			10,855,004	2.6%	1/31/2005	5/30/2020
Capped			22,575,000	2.8%	10/3/2008	3/1/2014
Subtotal Variable Rate			274,186,104	3.1%	6/15/2005	4/7/2012
Total Combined Debt Outstanding			**$1,083,473,288**	**5.4%**	**5/6/2009**	**1/26/2013**
UNDERLYING DEBT						
Individual Property Mortgages/Bonds						
Conventional Fixed Rate			$ 121,065,184	6.6%	11/22/2014	11/22/2014
Tax Exempt Fixed Rate						