

AVALONBAY COMMUNITIES INC  
Form 424B5  
November 26, 2012

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[INDEX TO FINANCIAL STATEMENTS](#)

[Table of Contents](#)

[Table of Contents](#)

Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-179720

**The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities, in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED NOVEMBER 26, 2012**

**PRELIMINARY PROSPECTUS SUPPLEMENT  
(To Prospectus dated February 27, 2012)**

14,500,000 Shares

## COMMON STOCK

AvalonBay Communities, Inc. is offering 14,500,000 shares of its common stock.

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Our common stock is listed on the New York Stock Exchange under the symbol "AVB." On November 23, 2012, the reported last sale price of our common stock on the New York Stock Exchange was \$128.54 per share.

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*Investing in our common stock involves risks. See "Risk Factors" beginning on page S-19 of this prospectus supplement and page 1 of the accompanying prospectus.*

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PRICE \$ PER SHARE

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	Price to Public	Underwriting Discounts and Commissions	Proceeds to Us, Before Expenses
Per Share	\$	\$	\$
Total	\$	\$	\$

We have granted the underwriters the right to purchase an additional 2,175,000 shares of common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on November           , 2012.

**Goldman, Sachs & Co.**

The date of this prospectus supplement is November           , 2012

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Table of Contents

## TABLE OF CONTENTS

**Prospectus Supplement**

<u>Prospectus Supplement Summary</u>	<u>S-1</u>
<u>The Offering</u>	<u>S-18</u>
<u>Risk Factors</u>	<u>S-19</u>
<u>Forward-Looking Statements</u>	<u>S-25</u>
<u>Use of Proceeds</u>	<u>S-26</u>
<u>Capitalization</u>	<u>S-26</u>
<u>Underwriting; Conflicts of Interest</u>	<u>S-28</u>
<u>Legal Matters</u>	<u>S-35</u>
<u>Experts</u>	<u>S-35</u>
<u>Where You Can Find More Information and Documents Incorporated By Reference</u>	<u>S-35</u>
<u>Index to Financial Statements</u>	<u>F-1</u>

**Prospectus**

<u>Risk Factors</u>	<u>1</u>
<u>Forward-Looking Statements</u>	<u>12</u>
<u>About this Prospectus</u>	<u>13</u>
<u>Where You Can Find More Information</u>	<u>13</u>
<u>About AvalonBay Communities, Inc.</u>	<u>14</u>
<u>Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends</u>	<u>15</u>
<u>Ratios of Earnings to Fixed Charges</u>	<u>15</u>
<u>How We Intend to Use the Proceeds</u>	<u>16</u>
<u>Description of the Debt Securities</u>	<u>16</u>
<u>Description of Preferred Stock</u>	<u>32</u>
<u>Description of Common Stock</u>	<u>37</u>
<u>Limits on Ownership of Stock</u>	<u>39</u>
<u>Federal Income Tax Considerations and Consequences of Your Investment</u>	<u>41</u>
<u>Plan of Distribution</u>	<u>58</u>
<u>Experts</u>	<u>58</u>
<u>Legal Matters</u>	<u>58</u>

When we refer to "AvalonBay," "the Company," "we," "us," or "our" or similar expressions in this prospectus supplement, we mean AvalonBay Communities, Inc. and its subsidiaries.

This prospectus supplement is a supplement to the accompanying prospectus. If information in this prospectus supplement is inconsistent with the prospectus, this prospectus supplement will apply and supersede the information in the prospectus. It is important for you to read and carefully consider all information contained in this prospectus supplement and the accompanying prospectus. You should also read and carefully consider the information in the documents we have referred you to in "Where You Can Find More Information and Documents Incorporated By Reference."

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. This prospectus supplement and the accompanying prospectus is not an offer to sell or the solicitation of an offer to buy any securities other than the registered shares to which they relate, nor is this prospectus supplement or the accompanying prospectus an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation

Table of Contents

in such jurisdiction. You should assume that the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates. When we or any of the underwriters deliver this prospectus supplement or the accompanying prospectus or make a sale pursuant to this prospectus supplement or the accompanying prospectus, neither we nor the underwriters are implying that the information is current as of the date of the delivery or sale.

Table of Contents

**PROSPECTUS SUPPLEMENT SUMMARY**

**The Company**

AvalonBay Communities, Inc. is a real estate investment trust, or REIT, and S&P 500 Index company that owns one of the largest portfolios of high-quality multifamily communities in the United States. We are focused on the development, redevelopment, acquisition, operation and management of apartment communities in high barrier-to-entry markets in the Northeast, Mid-Atlantic and West Coast regions of the United States.

At September 30, 2012, we owned or held a direct or indirect ownership interest in:

183 operating apartment communities containing 53,487 apartment homes in nine states and the District of Columbia, of which seven communities containing 1,802 apartment homes were under reconstruction;

22 communities under construction that are expected to contain an aggregate of 6,614 apartment homes when completed; and

land or rights to land in which we expect to develop an additional 31 communities that, if developed as expected, will contain an estimated 8,837 apartment homes.

Our principal financial goal is to increase long-term shareholder value through our integrated multifamily investment and operating platform by pursuing a strategy of being leaders in market research and capital allocation and delivering a range of multifamily offerings tailored to serve the needs of the most attractive customer segments in the best-performing submarkets of the U.S. We pursue this strategy through three brand offerings, each targeting a different customer segment and price point. Our "Avalon" brand, our core offering, focuses on upscale apartment living and high-end amenities and services in urban and suburban markets. Our "AVA" brand is designed for people who want to live in or near urban neighborhoods and in close proximity to public transportation, services, shopping and night-life. AVA apartments are generally smaller, with many engineered for roommate living, featuring modern design and a technology focus. Our "Eaves by Avalon" brand is designed for renters who seek quality apartment living, often in a suburban setting, with practical amenities and services at a more modest price point.

AvalonBay elected to qualify as a REIT for federal income tax purposes for the taxable year ended December 31, 1994, and has not terminated or revoked such election. As a REIT, with limited exceptions, we will not be taxed under federal and certain state income tax laws at the corporate level on our net income to the extent net income is distributed to our stockholders. We have historically made sufficient distributions to avoid tax on retained income, and we intend to make sufficient distributions to avoid income tax at the corporate level. While we believe that we are organized and qualified as a REIT and we intend to operate in a manner that will allow us to continue to qualify as a REIT, there can be no assurance that we will be successful in this regard. Qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code of 1986, as amended, or the Code, for which there are limited judicial and administrative interpretations and involves the determination of a variety of factual matters and circumstances not entirely within our control.

Our principal executive offices are located at Ballston Tower, 671 N. Glebe Road, Suite 800, Arlington, Virginia 22203, Attention: Chief Financial Officer. Our telephone number is 703-329-6300. Our website is located at [www.avalonbay.com](http://www.avalonbay.com). Information on our website is not deemed to be a part of this prospectus supplement or the attached prospectus.

Table of Contents

**Recent Developments**

***The Archstone Portfolio Acquisition***

On November 26, 2012, we entered into an asset purchase agreement, or the Purchase Agreement, with (i) Equity Residential and its operating partnership, ERP Operating Partnership LP, or, collectively, Equity Residential, (ii) Lehman Brothers Holdings Inc., or Lehman, and (iii) Archstone Enterprise LP, or Archstone, pursuant to which we and Equity Residential will acquire, directly or indirectly, all of the assets and entities owned by, and all of the liabilities of, Archstone (other than certain excluded liabilities).

Pursuant to the Purchase Agreement and separate arrangements between us and Equity Residential governing the allocation of liabilities to be assumed under the Purchase Agreement, our portion of consideration under the Purchase Agreement is approximately \$6.9 billion, and consists of the following:

the issuance of 14,889,706 shares of our common stock to Archstone, valued at \$1.9 billion, using the closing price for our common stock on the New York Stock Exchange on November 23, 2012 of \$128.54;

\$669.0 million in cash;

the assumption of indebtedness with a fair value of approximately \$4.1 billion, consisting of \$3.7 billion principal amount for consolidated borrowings, \$238.3 million principal amount for our proportionate share of debt related to unconsolidated joint ventures, and \$197.5 million representing the amount by which the fair value of the aforementioned debt exceeds the principal face value;

an obligation to pay, when presented for redemption from time to time, approximately \$132.2 million in respect of the liquidation value of and accrued dividends on outstanding Archstone preferred units; and

the assumption of 40% of all other liabilities, known or unknown, of Archstone, other than certain excluded liabilities.

For this consideration, we will acquire a portfolio of direct and indirect interests in apartment communities and net other liabilities that we refer to as the Archstone Portfolio Acquisition. The net proceeds of this offering will be used by us to fund the Archstone Portfolio Acquisition (including the fees and costs related thereto), repay a portion of the debt assumed in the Archstone Portfolio Acquisition, and help us preserve our financial flexibility.

The Archstone Portfolio Acquisition represents a rare opportunity for us to buy a large portfolio of high-quality apartment communities that is concentrated in our existing high barrier-to-entry markets and is consistent with our strategic objective of more deeply penetrating our chosen markets with a broader range of products and services. For the nine months ended September 30, 2012, 98% of the net operating income, or NOI, from the consolidated apartment communities we expect to acquire in the Archstone Portfolio Acquisition is generated in our existing markets.

The Archstone Portfolio Acquisition consists of the following:

66 consolidated apartment communities, containing 22,222 apartment homes, of which six communities are under construction and are expected to contain 1,666 apartment homes upon completion;

three parcels of land, which are consolidated and if developed as expected will contain a total of 968 apartment homes;



Table of Contents

interests in unconsolidated joint ventures in which we expect to be the general partner or managing member, which own 10 apartment communities containing 2,040 apartment homes, of which one community is under construction and is expected to contain 157 apartment homes upon completion; and

a 40% ownership interest in unconsolidated joint venture arrangements with Equity Residential which will hold assets that we will jointly manage, sell to third parties, and/or subsequently transfer to Equity Residential or to us.

The following table provides the approximate allocation of AvalonBay's investment in the Archstone Portfolio Acquisition:

<b>Archstone Portfolio Acquisition</b>	<b>Acquisition Value(1)</b> <b>(in thousands)</b>
Consolidated stabilized assets	\$ 6,140,323
Development communities under construction	308,819
Land held for future development	49,800
Net equity in unconsolidated joint ventures plus allocated joint venture debt	410,112
<b>Total</b>	<b>\$ 6,909,054</b>

(1) Value is based on the closing price of our common stock on November 23, 2012 and the fair market value of debt we expect to assume.

Under the Purchase Agreement, we will acquire 40% of the assets and liabilities of Archstone and Equity Residential will acquire the remaining 60% of the assets and liabilities of Archstone. We refer herein to 40% and 60% as our respective pro rata shares. We and Equity Residential are jointly and severally liable for most obligations to Lehman under the Purchase Agreement. The Purchase Agreement provides that the closing of the acquisitions thereunder must occur within 120 days after execution of the Purchase Agreement. If we and Equity Residential fail to close the acquisition, then Equity Residential and we could be liable for payment of a termination fee of \$800.0 million (or \$650.0 million if the Purchase Agreement is terminated in the first 60 days after signing) as discussed under "Purchase Agreement and Related Arrangements." The Archstone Portfolio Acquisition is also subject to customary closing conditions, which do not include our and Equity Residential's ability to obtain the necessary financing or lender consents for the transaction. Neither we nor Equity Residential could terminate the Purchase Agreement because of a lack of financing or lender consents without incurring the termination fee.

*The Archstone Portfolio*

We believe the Archstone Portfolio Acquisition will create strategic, portfolio and financial benefits for us, including the following:

It will increase our ownership of high-quality apartment communities in our existing markets.

It will allow us to more closely align our portfolio allocation with our long-term geographic allocation goals.

It will expand our portfolio into complementary submarkets with more varied product offerings.

It will enable us to more rapidly implement our multi-branding strategy.

It will provide enhanced corporate efficiencies due to our increased scale.





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### Table of Contents

*High-Quality Portfolio Concentrated in Our Markets.* The following table provides the percentage of NOI generated during the nine months ended September 30, 2012, by region for our consolidated apartment communities, as well as communities that were under construction, or for which substantial redevelopment is planned or that occurred during 2012, pro forma for the Archstone Portfolio Acquisition (dollars in thousands):

Region/Portfolio (1)	AvalonBay		Archstone Portfolio(3)		Pro Forma	
	NOI	% of	NOI	% of	NOI	% of
	YTD	Total	YTD	Total	YTD	Total
	2012(2)	NOI	2012(2)	NOI	2012(2)	NOI
New England	\$ 99,277	19%	\$ 7,433	3%	\$ 106,710	14%
Metro NY/NJ	156,135	29%	31,336	14%	187,471	25%
Mid-Atlantic	71,401	14%	61,727	29%	133,128	18%
Pacific Northwest	27,241	5%	5,471	3%	32,712	4%
Northern California	102,335	19%	31,544	15%	133,879	18%
Southern California	74,287	14%	72,910	34%	147,197	20%
Non-Core and Other	447	0%	5,227	2%	5,674	1%
<b>Total NOI</b>	<b>\$ 531,123</b>	<b>100%</b>	<b>\$ 215,648</b>	<b>100%</b>	<b>\$ 746,771</b>	<b>100%</b>

- (1) NOI for the nine months ended September 30, 2012 for consolidated apartment communities, excluding NOI from apartment communities in joint ventures. NOI is a non-GAAP financial measure. For a description of how we define NOI and a reconciliation of NOI to net income, please see "Reconciliation of Non-GAAP Financial Measures" beginning on page F-18 of this prospectus supplement.
- (2) GAAP net income for AvalonBay, the Archstone Portfolio Acquisition, and on a pro forma basis, assuming the acquisition of the portfolio, was \$301,178, \$43,425 and \$344,603, respectively for the nine months ended September 30, 2012.
- (3) NOI for the nine months ended September 30, 2012 for this portfolio includes \$26 for communities for which construction is not complete but leasing activity has begun.

For the nine months ended September 30, 2012, pro forma for the Archstone Portfolio Acquisition, 99% of the NOI from our apartment communities would be concentrated in our existing high barrier-to-entry markets.

In connection with the Archstone Portfolio Acquisition, we will acquire interests in certain non-core assets or communities in non-core markets for us, including interests in assets in Texas, Florida and Germany. Some of these interests will be held and managed in a joint venture with Equity Residential, pending disposition or assignment to Equity Residential or us.

*Achieving Geographic Portfolio Allocation Goals.* We believe that the Archstone Portfolio Acquisition will allow us to bring our overall portfolio more closely in line with our long-term goals for regional allocation. In particular, our current Southern California portfolio is expected to grow from approximately 10,400 apartment homes at September 30, 2012 to approximately 19,200 apartment homes pro forma for the Archstone Portfolio Acquisition. Other geographic allocation adjustments expected to be achieved through the Archstone Portfolio Acquisition include a reduction in our relative concentration in the New England and Metro New York/New Jersey regions (where relatively few of the Archstone Portfolio Acquisition apartment communities to be acquired by us are located) and an increase in our Mid-Atlantic region presence.

*Complementary Submarket and Product Positioning.* Many of the apartment communities to be acquired by us in the Archstone Portfolio Acquisition are located in submarkets that are different than, but complementary to, the submarkets where our current apartment communities are located



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### Table of Contents

within each of our six main market regions. For example, in the Mid-Atlantic region, our existing apartment communities are more concentrated in suburban locations such as the Rockville/Gaithersburg corridor in suburban Maryland and the Tysons Corner and Fairfax submarkets in Northern Virginia. By contrast, the Archstone Portfolio Acquisition apartment communities in the Washington, D.C. market are concentrated in more urban, higher density submarkets such as the Rosslyn/Ballston corridor in Arlington, Virginia and the Wisconsin/Connecticut Avenue NW corridor in Washington D.C. We believe that many of the apartment communities to be acquired by us in the Archstone Portfolio Acquisition are also positioned to appeal to a somewhat different consumer segment than our existing assets based on the different characteristics of the Archstone Portfolio Acquisition apartment communities, which are generally more heavily weighted towards smaller apartments in high-rise buildings. We believe the Archstone Portfolio Acquisition will provide us with a more diversified portfolio with broader product offerings within each region where we currently do business.

*Increased Scale Supports our Multi-Brand Strategy.* We recently introduced a three brand strategy. We are currently in the process of rolling out our two new brands (*AVA* and *Eaves by Avalon*) at certain of our existing apartment communities and refining our core *Avalon* brand. We believe that the Archstone Portfolio Acquisition will allow us to extend our three brand platform across additional assets in an efficient manner, bringing these brands to a meaningful market presence sooner than we otherwise would be able to do so.

*Enhanced Corporate Efficiencies Due to Increased Scale.* We expect that the increased scale of our apartment community portfolio from the Archstone Portfolio Acquisition will require a lower proportionate increase in our corporate and property management overhead and general and administrative expenses. We believe that our corporate support functions, including our customer care center in Virginia Beach and our marketing, customer insight, and market research groups in our corporate headquarters in Arlington, Virginia, are positioned to allow for absorption of additional assets to provide additional operating leverage.

The table below provides details by region for the operating apartment communities as of September 30, 2012 in which we expect to acquire a direct or indirect interest in connection with the Archstone Portfolio Acquisition.

Community	Location	Number of Homes	Average SF Per Home(1)	Year Built(2)	Revenue per Occupied Home (by Region)(3)
<b>New England</b>					
Archstone Quincy	Quincy, MA	224	705	1977	
Archstone Bear Hill	Waltham, MA	324	1,208	1999	
Legacy Place(4)	Dedham, MA	285	1,075	2011	
<b>Subtotal New England</b>		833	1,027		\$ 2,270
<b>Metro New York / New Jersey</b>					
Archstone Clinton North	New York, NY	339	536	2008	
Archstone Clinton South	New York, NY	288	557	2007	
Archstone Midtown West	New York, NY	550	716	1998	
Kips Bay(4)	New York, NY	208	733	1997	
Archstone Meadowbrook Crossing	Westbury, NY	396	1,014	2006	

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Table of Contents

Community	Location	Number of Homes	Average SF Per Home(1)	Year Built(2)	Revenue per Occupied Home (by Region)(3)
<b>Subtotal Metro New York / New Jersey</b>		1,781	724		\$ 3,338
<b>Mid-Atlantic</b>					
Archstone Ballston Place	Arlington, VA	383	871	2001	
Archstone Ballston Square	Arlington, VA	714	877	1992	
Archstone Courthouse Place	Arlington, VA	564	849	1999	
Crystal House I(5)	Arlington, VA	426	880	1969	
Crystal House II(5)	Arlington, VA	401	913	1965	
Oakwood Arlington(6)	Arlington, VA	184	839	1987	
Archstone Charter Oak	Reston, VA	262	1,097	1970	
Archstone Reston Landing	Reston, VA	400	995	2000	
Archstone Tysons Corner	Vienna, VA	217	967	1980	
Oakwood Gaithersburg(6)	Gaithersburg, MD	136	878	1988	
Archstone Wheaton Station	Wheaton, MD	243	884	2005	
Archstone Russett	Laurel, MD	238	1,154	1999	
Grosvenor Tower(4)	North Bethesda, MD	236	972	1987	
Archstone Glover Park	Washington, DC	120	869	1953	
Archstone Tunlaw Gardens	Washington, DC	166	816	1944	
Brandywine(7)(8)	Washington, DC	305	1,280	1954	
The Albemarle	Washington, DC	228	1,123	1966	
The Consulate	Washington, DC	268	843	1978	
The Statesman	Washington, DC	281	678	1961	
Oakwood Philadelphia(6)	Philadelphia, PA	80	831	1945	
<b>Subtotal Mid-Atlantic</b>		5,852	929		\$ 2,101
<b>Pacific Northwest</b>					
Archstone Redmond Campus	Redmond, WA	422	1,017	1991	



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Table of Contents

<b>Community</b>	<b>Location</b>	<b>Number of Homes</b>	<b>Average SF Per Home(1)</b>	<b>Year Built(2)</b>	<b>Revenue per Occupied Home (by Region)(3)</b>
Archstone Redmond Lakeview	Redmond, WA	166	849	1987	
Archstone Kirkland at Carillon Point(4)	Kirkland, WA	130	1,344	1990	
<b>Subtotal Pacific Northwest</b>		<b>718</b>	<b>1,037</b>		<b>\$ 1,633</b>
<b>Northern California</b>					
Archstone Walnut Creek	Walnut Creek, CA	510	746	1987	
Archstone Walnut Creek Station	Walnut Creek, CA	360	700	1989	
Archstone Walnut Ridge	Walnut Creek, CA	106	764	2000	
Archstone San Bruno	San Bruno, CA	300	891	2004	
Archstone San Bruno II	San Bruno, CA	185	846	2007	
Archstone San Bruno III	San Bruno, CA	187	1,237	2005	
Archstone West Valley	San Jose, CA	789	639	1970	
Archstone Mountain View at Middlefield	Mountain View, CA	402	651	1969	
Archstone Willow Glen	San Jose, CA	412	928	2002	
Sunnyvale(4)	Sunnyvale, CA	192	1,063	1991	
<b>Subtotal Northern California</b>		<b>3,443</b>	<b>790</b>		<b>\$ 1,734</b>
<b>Southern California(9)</b>					
Archstone Del Mar Station	Pasadena, CA	347	975	2006	
Archstone Old Town Pasadena	Pasadena, CA	96	692	1972	
Archstone Pasadena	Pasadena, CA	120	854	2004	
Archstone La Mesa	La Mesa, CA	168	830	1989	
Archstone La Jolla Colony	San Diego, CA	180	761	1987	
Archstone Oak Creek	Agoura Hills, CA	336	1,084	2004	
Archstone Calabasas	Calabasas, CA	600	844	1988	
Archstone Los Feliz	Los Angeles, CA	263	767	1989	

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Table of Contents

<b>Community</b>	<b>Location</b>	<b>Number of Homes</b>	<b>Average SF Per Home(1)</b>	<b>Year Built(2)</b>	<b>Revenue per Occupied Home (by Region)(3)</b>
Oakwood Toluca Hills(6)	Los Angeles, CA	1,151	691	1973	
Archstone Marina Bay(4)(10)	Marina Del Rey, CA	205	815	1967	
Venice on Rose(4)	Venice, CA	70	1,207	2011	
Archstone Simi Valley	Simi Valley, CA	500	860	2007	
Archstone Studio City	Studio City, CA	450	736	1987	
Archstone Studio City II	Studio City, CA	101	834	1991	
Archstone Studio City III	Studio City, CA	276	955	2002	
Archstone Thousand Oaks	Thousand Oaks, CA	154	873	1992	
Archstone Thousand Oaks Plaza	Thousand Oaks, CA	148	949	2002	
Archstone Warner Center	Woodland Hills, CA	522	882	2007	
Archstone Woodland Hills	Woodland Hills, CA	883	655	1971	
Archstone Santa Monica on Main	Santa Monica, CA	133	921	2007	
Archstone Long Beach(11)	Long Beach, CA	206	705	1985	
Archstone Terracina(11)	Ontario, CA	736	915	1988	
Archstone Seal Beach	Seal Beach, CA	549	706	1971	
Archstone Vanoni Ranch	Ventura, CA	316	936	2005	
Archstone Ventura Colony(12)	Ventura, CA	272	807	1989	
<b>Subtotal Southern California</b>		8,782	816		\$ 1,601
<b>Non Core Markets</b>					
Archstone Boca Town Center(4)	Boca Raton, FL	252	1,064	1988	
Archstone Lexington	Flower Mound, TX	222	983	2000	
Archstone Memorial Heights	Houston, TX	556	781	1996	



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Table of Contents

Community	Location	Number of Homes	Average SF Per Home(1)	Year Built(2)	Revenue per Occupied Home (by Region)(3)
<b>Subtotal</b>	<b>Non Core Markets</b>	1,030	894		\$ 1,351
<b>Total</b>		22,439	853		\$ 1,894

- 
- (1) This information is taken primarily from the most recent filing by Archstone Inc. with the SEC on November 19, 2012, which we have not independently verified, and it may contain inaccuracies and/or reflect calculation methodologies that differ from those we use to present information about our apartment communities. Regional totals represent weighted averages.
- (2) Represents the date that construction of the apartment community was completed, and does not consider any subsequent capital expenditures to redevelop the applicable apartment community or for other purposes.
- (3) Represents the weighted average monthly revenue per occupied home for the respective region for the three months ended September 30, 2012.
- (4) This apartment community is owned by a joint venture in which Archstone owns a 28.6% interest.
- (5) Interest in this apartment community is subject to a ground lease which expires in November 2060.
- (6) This apartment community has been leased by Archstone to a third party under a master lease that has been extended to July 2017.
- (7) This apartment community is managed by a third party.
- (8) This apartment community is owned by a joint venture in which Archstone owns a 26.1% interest.
- (9) Subsequent to September 30, 2012, Archstone acquired an indirect interest in Studio 4121, a 205 apartment home community located in Los Angeles, CA.
- (10) This apartment community includes the ownership of 218 boat slips in the adjoining marina.
- (11) Represents an apartment community that was under contract for disposition as of, or subsequent to, September 30, 2012.
- (12) Subsequent to September 30, 2012, Archstone sold Archstone Ventura Colony.

Table of Contents

The table below provides certain details with respect to properties under construction or planned for development in which we expect to acquire a direct or indirect interest in connection with the Archstone Portfolio Acquisition. In addition, Archstone controls certain other land parcels primarily through purchase options. Some of these option contracts may be assigned to us at closing in addition to the assets listed below.

<b>Property</b>	<b>Location</b>	<b>Start Date</b>	<b>Expected Apartment Homes(1)</b>
<b>Under Construction and/or in Lease-up(2)</b>			
Archstone West Valley Expansion	San Jose, CA	Q3 2012	84
Archstone First+M Phase I	Washington, DC	Q3 2010	469
Parkland Gardens	Arlington, VA	Q2 2012	227
Memorial Heights Phase I	Houston, TX	Q3 2012	318
Archstone Berkeley on Addison	Berkeley, CA	Q3 2012	94
Archstone Toscano	Houston, TX	Q2 2011	474
Archstone Santa Clarita(3)	Santa Clarita, CA	Q1 2012	157
<b>Land Held, In Planning and Owned(4)</b>			
Archstone First+M Phase II	Washington, DC	TBD	434
Oakwood Toluca Hills Land	Toluca Hills, CA	TBD	150
Huntington Beach(5)	Huntington Beach, CA	TBD	384

- (1) This information is taken from the most recent filing by Archstone Inc. with the SEC on November 19, 2012, which we have not independently verified, and it may contain inaccuracies and/or reflect calculation methodologies that differ from those we use to present information about our apartment communities.
- (2) Total expected investment for consolidated apartment communities under construction and/or in lease-up is \$470.1 million with \$161.2 million remaining to invest.
- (3) Development property is being constructed in an unconsolidated joint venture in which Archstone has a 21.6% interest.
- (4) Commencement of construction of projects in planning is subject to regulatory approval, acquisition of financing and/or suitable market conditions.
- (5) Land is owned by a consolidated joint venture in which Archstone has a 95.0% interest.

*Adjustments to the Anticipated Archstone Portfolio Acquisition*

The properties that will be part of the overall transaction involving Archstone and the assets and liabilities to be held by certain joint ventures we expect to form with Equity Residential are subject to final adjustment at closing between us and Equity Residential pursuant to arrangements separate from the Purchase Agreement. These arrangements are designed to account for ongoing changes in the status of the assets

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and liabilities up until closing. For example, some of the properties and other assets may be sold and liabilities may be settled before closing. As a result, the final allocation between us and Equity Residential of the properties, other assets and liabilities in connection with the the overall transaction involving Archstone could change and impact the amount of consideration to be paid by us under the Purchase Agreement.

S-10

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Table of Contents

*Assumed Indebtedness*

We will assume approximately \$3.7 billion principal amount of consolidated indebtedness in connection with the Archstone Portfolio Acquisition. Of this amount, Fannie Mae and Freddie Mac (the Government Sponsored Enterprises or GSEs) are the lenders in connection with approximately (i) \$2.8 billion of pooled debt, (ii) \$463.4 million of tax-exempt bond financing for which the GSEs provide credit enhancement and liquidity and (iii) \$104.4 million of other single asset loans (collectively, the GSE Indebtedness). We have entered into a commitment letter with each of Fannie Mae and Freddie Mac whereby they have provided us with their consents to the transaction contemplated by the Purchase Agreement and our and Equity Residential's assumption of the allocable portions of the loans made to Archstone. In connection with such consents, we have agreed to repay approximately \$200.0 million of the GSE Indebtedness owed to Fannie Mae at the closing of the Archstone Portfolio Acquisition. In addition, with the net proceeds of this offering, we also intend to repay \$753.0 million of GSE Indebtedness and other assumed indebtedness, bringing the total amount of assumed indebtedness that we expect to repay at the closing of the Archstone Portfolio Acquisition to \$953.0 million. The following table sets forth the consolidated indebtedness we will assume as of September 30, 2012, and on a pro forma basis giving effect to the repayment of indebtedness as discussed above.

<b>Community / Debt Facility</b>	<b>Stated Interest Rate</b>	<b>Principal Maturity Date</b>	<b>Final Balance Outstanding at 9/30/12(1) (in thousands)</b>	<b>Pro forma Balance Outstanding at 9/30/12(1) (in thousands)</b>
<b>Tax-exempt bonds</b>				
<i>Fixed Rate</i>				
Meadowbrook	4.61%	Nov-2036	\$ 62,200	\$ 62,200
<i>Variable rate</i>				
Clinton (North)	SIFMA + 1.53%	Nov-2038	143,409	143,409
Clinton (South)	SIFMA + 1.53%	Nov-2038	118,532	118,532
Midtown West	SIFMA + 1.13%	May-2029	99,537	99,537
San Bruno	SIFMA + 1.35%	Dec-2037	61,875	61,875
Calabasas	SIFMA + 1.48%	Apr-2028	40,073	40,073
			463,426	463,426
<b>Conventional loans</b>				
<i>Fixed Rate</i>				
Fannie Mae Pool 6(2)	6.19%	Nov-2015	940,923	940,923
Fannie Mae Pool 2(2)	6.26%	Nov-2017	692,192	692,192
First and M	5.57%	May-2053	116,166	116,166
San Bruno II	5.37%	Apr-2021	31,700	31,700
Meadowbrook	4.70%	Nov-2036	22,493	22,493
Lexington	5.55%	Mar-2016	17,079	17,079
			1,820,553	1,820,553

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Table of Contents

Community / Debt Facility	Stated Interest Rate	Principal Final Maturity Date	Balance Outstanding at 9/30/12(1) (in thousands)	Pro forma Balance Outstanding at 9/30/12(1) (in thousands)
<i>Variable rate</i>				
Fannie Mae Pool 9(2)	LIBOR + 1.27%	Nov-2014	636,756	
Freddie Mac Pool	LIBOR + 0.96%	Nov-2014	412,724	304,375
South San Francisco(3)	DMBS + 1.00%	Apr-2013	76,706	
Calabasas	DMBS + 1.44%	Aug-2018	57,781	57,781
San Bruno III	LIBOR + 2.60%	May-2013	47,000	47,000
Wheaton Station(3)	DMBS + 1.00%	Apr-2013	44,539	
La Mesa(3)	DMBS + 1.00%	Apr-2013	24,755	
Oakwood Gaithersburg	FRMB + 3.79%	Jan-2017	14,876	
Parkland Gardens	LIBOR + 2.25%	May-2017	12,935	
Toscano	LIBOR + 6.00%	May-2016	31,938	
Memorial Heights	LIBOR + 2.50%	May-2017	2,143	
			1,362,153	409,156
			\$ 3,708,332	\$ 2,755,335

- (1) Balances are for consolidated debt assumed and do not include our share of the principal amount of debt held by unconsolidated joint ventures of approximately \$238.3 million. Balances are also presented exclusive of amounts held in principal reserve funds that are held for the repayment of the respective borrowing. The pro forma balance outstanding reflects expected repayments of indebtedness as of the closing of the Archstone Portfolio Acquisition.
- (2) Borrowings are cross-defaulted.
- (3) Borrowings are cross-collateralized and cross-defaulted as part of a pooled financing with respect to the apartment communities.

**Financial Highlights and Outlook**

*Operating Results and Outlook.* Between January 1, 2012, and September 30, 2012, our portfolio of established communities achieved an increase in NOI of 8.1% compared to the same period of 2011. Throughout 2012, apartment fundamentals have remained strong, driven by a combination of a decline in the homeownership rate, modest employment growth and limited supply of new multifamily rental product. For the nine months ended September 30, 2012, our established apartment communities achieved an increase in rental revenue of 6.0% as compared to the prior year period, primarily from an increase of 5.8% in average rental rates and a 0.2% improvement in economic occupancy, as we have historically defined that term. On October 24, 2012 we updated our guidance for full year 2012 earnings per share diluted, or EPS, to be in the range of \$4.47 and \$4.52, and Funds from Operations diluted, or FFO, to be in the range of \$5.45 to \$5.50. FFO is a non-GAAP financial measure. For a description of how we define FFO and a reconciliation of FFO to net income, please see "Reconciliation of Non-GAAP Financial Measures" beginning on page F-18 of this prospectus supplement.

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On November 12, 2012, we issued a press release regarding the financial impact of Hurricane Sandy to us, in which we estimated the out-of-pocket costs to repair damages to be in the range of \$5.0 to \$7.0 million after considering insurance reimbursements. We now estimate that the aggregate out-of-pocket costs to repair damages associated with Hurricane Sandy will be in the range of \$3.5 to \$5.0 million, after considering insurance reimbursements. A portion of these out-of-pocket costs will

S-12

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Table of Contents

be capitalized, such that we expect the impact of these costs on reported earnings to be between \$1.0 and \$1.5 million, with the majority of the costs expected to be incurred during the fourth quarter of 2012.

*Current Operating Environment.* We anticipate market fundamentals impacting our business to remain favorable for the remainder of 2012 and into 2013. Our expectations are based in part on our outlook for employment conditions, where we anticipate moderate but accelerated job and population growth, particularly in the age groups that have historically demonstrated a higher propensity to rent. Our assessment of our portfolio's potential performance for 2013 also considers the individual demand/supply characteristics of each submarket in which we operate. Over the past several years supply within the majority of our markets has been below long-term trend levels, although it is expected to increase closer to long-term levels over the next several years. We anticipate that the properties we expect to acquire as part of the Archstone Portfolio Acquisition will show operating trends in line with our established communities.

*Acquisition Capitalization Rate.* As part of our due diligence process, we analyzed the anticipated capitalization rate we expect to derive from the Archstone Portfolio Acquisition. We define capitalization rate as NOI as a percentage of the purchase price after making adjustments to historical NOI to reflect anticipated growth in rental rates, as well as reserves for capital expenditures, property management fees, and other market conventions to estimate future stabilized NOI. We believe that the weighted average capitalization rate for the combined Archstone portfolio, including properties to be acquired both by us and by Equity Residential, is in the high 4% range. Our definition of NOI and calculation of the capitalization rate may not be comparable with those of other REITs because of differences in accounting policies, forward adjustments to historical NOI, assumed property management fees, reserves and other items. We also caution you not to place undue reliance on our estimates of NOI to be generated by the apartment communities we expect to acquire as part of the Archstone Portfolio Acquisition, because such estimates are based principally on data made available to us in the acquisition diligence process, combined with our experience in operating our own comparable apartment communities. Actual results could differ materially from expectations, as discussed in "Risk Factors," "Forward-Looking Statements" and other sections of this prospectus supplement, as well as our Form 10-K for the year ended December 31, 2011, as updated by subsequent filings with the SEC.

*Pro Forma Impact of the Archstone Portfolio Acquisition.* The following table presents our EPS and FFO per share for the year ended December 31, 2011 and the nine months ended September 30, 2012, on a historical basis and pro forma for the Archstone Portfolio Acquisition:

	For the Year ended 12/31/11		For the Nine Months Ended 9/30/12	
	Historical	Pro Forma	Historical	Pro forma
	EPS	\$ 4.87	\$ 2.11	\$ 3.13
FFO per share	\$ 4.57	\$ 5.04	\$ 4.05	\$ 4.34

The pro forma adjustments assume that the Archstone Portfolio Acquisition occurred on January 1, 2011, and reflect management's estimates of costs that would have been incurred during the respective periods for property management and additional general and administrative expenses for the Archstone Portfolio Acquisition. Assuming that the Archstone Portfolio Acquisition closed on January 1, 2011, and excluding one-time transaction costs, the transaction would have been approximately 7% accretive to our FFO per share for the nine months ended September 30, 2012. The actual impact of the Archstone Portfolio Acquisition in future periods will be affected by the timing of the transaction's closing, as well as the amount and timing of one-time transaction costs. We currently anticipate that we will incur \$153.8 million in expensed transaction costs related to the

Table of Contents

Archstone Portfolio Acquisition. We caution you not to place undue reliance on pro forma performance metrics because the contribution to EPS and FFO per share from the apartment communities we expect to acquire as part of the Archstone Portfolio Acquisition will depend on a number of factors that we cannot predict with certainty. Our actual experience operating the apartment communities we expect to acquire as part of the Archstone Portfolio Acquisition, following the closing of the transaction, including rental rates, economic occupancy, operating and capital expenditures and other items, may change our expectations with respect to the impact of the transaction on our EPS and FFO per share.

*Dividend Outlook.* Based on our estimates for our existing apartment communities and our expectations for apartment communities we anticipate acquiring as part of the Archstone Portfolio Acquisition, we expect to increase our common stock dividend for the first quarter of 2013 by a range of between 8% and 12% as compared to the dividend we previously declared and announced for the fourth quarter of 2012. This increase is supported by our current operating platform and recent operating trends, the expectation for continued favorable apartment fundamentals in 2013, and the contribution from apartment communities we expect to acquire as part of the Archstone Portfolio Acquisition. The payment of any dividend, however, is subject to the approval of our board of directors and there can be no assurance that economic conditions generally and/or their impact on our operating results and payout ratio will not lead us to change our expectation.

***Purchase Agreement and Related Arrangements***

Pursuant to the Purchase Agreement, the acquisition is subject to customary closing conditions, including, among other things, the accuracy of the other parties' representations and warranties and compliance with covenants, subject in each case to significant materiality standards as well as the absence of a material adverse change with respect to the business, financial condition or results of operations of Archstone. There can be no assurance that any condition to the closing of the transaction will be satisfied or waived, if permitted, or that there will not be events, developments or changes that can cause the closing not to occur. Therefore, there can be no assurance with respect to the timing of the closing of the Archstone Portfolio Acquisition or whether the transaction will be completed on the currently contemplated terms, other terms or at all. There is no closing condition, relating to our or Equity Residential's ability to obtain the necessary financing or lender consents for the transaction. If we extend the closing beyond the 90th day following the execution of the Purchase Agreement, the purchase price will increase by an amount equal to \$1.0 million per day thereafter. The amount of this increase would be paid 60% by Equity Residential and 40% by us, with each party's additional payment reduced by the amount of any accrued but unpaid dividends on the stock consideration payable by that party for the period prior to closing. The Purchase Agreement also provides that we, Equity Residential or Lehman may terminate the Purchase Agreement if the closing has not occurred by the 120<sup>th</sup> day following the execution of the Purchase Agreement, so long as the failure of the closing to occur on or before this date was not due to a breach by the terminating party of its respective obligations under the Purchase Agreement and, in the case of us and Equity Residential, we pay the termination fee discussed below if, at the time, all of the conditions to closing are satisfied.

Under the terms of the Purchase Agreement, if Lehman terminates the Purchase Agreement in the event that (1) we or Equity Residential breach any covenant or agreement under the Purchase Agreement, where the effect of the breach causes the closing conditions to be incapable of being satisfied, and, if the breach is capable of being cured, the breach is not cured by us or Equity Residential within 20 business days after receipt of notice from Lehman, (2) any event occurs that makes it impossible to satisfy a condition precedent to Lehman's obligation to close the transaction and Lehman and Archstone are not then in breach of representations, warranties, covenants or other agreements thereunder that would result in the conditions precedent to our obligations and Equity



Table of Contents

Residential's obligations not being satisfied, or (3) we or Equity Residential breach our obligation to close the acquisition at a time when all closing conditions have been satisfied or waived, then we and Equity Residential will be jointly and severally obligated to pay a termination fee of \$650.0 million. If we or Equity Residential extend the closing beyond the 60<sup>th</sup> day following the execution of the Purchase Agreement and such events occur, the termination fee increases to \$800.0 million. The termination fee will be Lehman's sole and exclusive remedy for a breach under the Purchase Agreement. Neither we nor Equity Residential can terminate the Purchase Agreement or fail to close when all the closing conditions have been satisfied without incurring the termination fee.

Although we and Equity Residential are jointly and severally liable for liabilities assumed in the Archstone Portfolio Acquisition as well as the termination fee, if it is payable, we have separately agreed with Equity Residential that such liabilities, fees and expenses will generally be apportioned 40% to us and 60% to Equity Residential. Among the matters that we and Equity Residential have agreed to apportion 40% to us and 60% to Equity Residential are obligations that arise from the redemption of preferred equity obligations issued by two Archstone entities pursuant to the terms of those preferred equity obligations. Certain liabilities to be assumed pursuant to the Purchase Agreement are allocated solely to us or solely to Equity Residential, generally because the liability relates to one or more properties to be acquired by us or Equity Residential. If the termination of the Purchase Agreement is a result of a breach by either us or Equity Residential, then the breaching party shall be solely responsible for, and shall indemnify the non-breaching party against, the fees and expenses, including the termination fee, payable to Lehman resulting from a failure to consummate the acquisition, and any costs and expenses incurred by the non-breaching party in connection with enforcing its rights against the breaching party.

Assets and liabilities of Archstone that are not acquired or assumed directly or indirectly wholly by either us or Equity Residential will be acquired through joint venture arrangements to be entered into by and between us and Equity Residential prior to or contemporaneously with the closing of the acquisition. One set of assets and liabilities to be acquired through joint venture arrangements consists of properties which we will jointly evaluate how best to manage after the closing, which may result (i) in the ultimate transfer to either us or Equity Residential when all necessary consents have been obtained and other transfer conditions satisfied, (ii) in continued joint ownership for a period, or (iii) in sale to a third party or parties. A second set of assets and liabilities to be acquired through joint venture arrangements consists of properties subject to contractual commitments to third parties to make certain payments in the event that taxable gain is recognized with respect to that property, which will be acquired in a transaction that should not recognize taxable gain. We then intend to contribute these properties, without the recognition of taxable gains, to limited partnerships or other entities controlled solely by either us or Equity Residential in exchange for passive interests in such limited partnership or other entities, which will eventually be the only assets of the joint venture. The properties designated for contribution to us are included in the operating properties table starting on page S-5 of this prospectus supplement.

***Registration Rights Agreement and Shareholders Agreement***

In connection with the closing of the Archstone Portfolio Acquisition, we will enter into a registration rights agreement with Lehman, or the Registration Rights Agreement, pursuant to which we will be required to register under the Securities Act of 1933, as amended, or the Securities Act, the resale of the 14,889,706 shares of common stock we will issue to Archstone at the closing of the Archstone Portfolio Acquisition. Under the Registration Rights Agreement we will be obligated to file a resale shelf registration statement within 10 days following the closing pursuant to which, after the expiration of Lehman's lock-up described below on April 26, 2013, it will be able to sell, generally without restrictions, shares received in the transaction. We have the right to suspend sales under the shelf registration statement in limited circumstances for up to 90 days in any twelve-month period. We

Table of Contents

are obligated to maintain the effectiveness of the registration statement until the earlier of the fifth anniversary of the closing of the Archstone Portfolio Acquisition or when Lehman owns less than \$250.0 million of the shares it originally received under the Purchase Agreement.

The Registration Rights Agreement gives Lehman the right to conduct two underwritten offerings of our shares each year. We will be obligated to cooperate with, and assist in, those offerings and to enter into a 30-day lock-up with Lehman's underwriters. Following the first anniversary of the closing, we will have the right once in any twelve-month period to delay an underwritten offering requested by Lehman so that we may undertake our own underwritten offering. If we effect an underwritten offering of our shares, Lehman has agreed to enter into a 30-day lock-up with the underwriters so long as it owns over 5% of our outstanding shares.

Further, pursuant to a shareholders agreement we will enter into between us and Lehman, or the Shareholders Agreement, Lehman has agreed to a 150-day lock-up, starting from the date of the Purchase Agreement, with respect to the shares of common stock acquired in connection with the Archstone Portfolio Acquisition. Under the Shareholders Agreement, so long as Lehman owns more than 5% of our common stock, Lehman has agreed it will not (i) acquire beneficial ownership of any additional shares of our common stock; (ii) participate in any voting or similar arrangement with a third party; (iii) enter into, propose or facilitate any change in control transaction (or other extraordinary transaction involving us); or (iv) otherwise act, alone or in concert with others, to seek to control, or influence, our board of directors or our management or policies.

Additionally under the Shareholders Agreement, for one year starting from the date of the closing of the Archstone Portfolio Acquisition, Lehman will vote all of its shares of our common stock in accordance with the recommendation of our board of directors on any matter other than an extraordinary transaction. After the first year, and for so long as Lehman holds more than 5% of our common stock, Lehman will vote all of its shares of our common stock (i) in accordance with the recommendations of our board of directors with respect to any election of directors, compensation and equity plan matters, and any amendment to our charter to increase our authorized capital stock; (ii) on all matters proposed by other shareholders, either proportionately in accordance with the votes of the other shareholders or, at its election, in accordance with the recommendation of our board of directors; and (iii) on all other matters, in its sole and absolute discretion.

Prior to the issuance of our shares of common stock to Archstone, we will waive the stock ownership limit in our charter, which generally prohibits a stockholder from holding more than 9.8% of the issued and outstanding shares of any class or series of our stock, and will instead permit Lehman to hold the 14,889,706 shares of our common stock received in the Archstone Portfolio Acquisition, plus the shares they owned as of the date of the waiver. We will grant this waiver based on our belief that such waiver will not jeopardize our ability to qualify as a REIT.

The summaries of the Purchase Agreement, the Registration Rights Agreement and the Shareholders Agreement are qualified in their entirety by reference to the Purchase Agreement, the Registration Rights Agreement, and the Shareholders Agreement which have been filed as exhibits to our Current Report on Form 8-K filed with the SEC on November 26, 2012.

***Bridge Loan Facility***

In connection with the Archstone Portfolio Acquisition, on November 26, 2012, we received a commitment letter from Goldman Sachs Lending Partners LLC for a senior unsecured bridge loan facility, or the Bridge Loan Facility, in an aggregate principal amount of up to \$2.2 billion, less the sum of the net proceeds from an equity offering, an offering of certain debt securities and/or any other bank or similar term loan financing and the aggregate principal amount of debt that we assume in connection with the Archstone Portfolio Acquisition for which lender consents have been obtained.

Table of Contents

The Bridge Loan Facility would mature 364 days from the date of funding and any loans provided under the Bridge Loan Facility are to be used to fund the Archstone Portfolio Acquisition and related costs, fees and expenses, including the repayment of certain debt we assume in connection with the Archstone Portfolio Acquisition. The loans under the Bridge Loan Facility must be funded on or before the date the Archstone Portfolio Acquisition closes, and will only be funded, if requested by us, upon the satisfaction of certain customary conditions to funding for this type of facility, including a condition that we shall have used commercially reasonable efforts to raise capital through an equity offering. Because the conditions to the lender's obligations under the Bridge Loan Facility are substantially similar to the conditions to our obligations under the Purchase Agreement, other than closing conditions that are customary for lending transactions such as the Bridge Loan Facility, we do not believe that there would be circumstances under which we would be obligated to complete the Archstone Portfolio Acquisition without also being able to obtain the funds to be borrowed under the Bridge Loan Facility.

Loans under the Bridge Loan Facility will bear interest at a rate per annum equal to either (i) the reserve adjusted LIBOR rate or (ii) the base rate, plus an applicable margin based on the credit ratings of our unsecured and unsubordinated long-term indebtedness. The Bridge Loan Facility will also require us to pay Goldman Sachs Lending Partners LLC certain customary fees.

The above summary of the Bridge Loan Facility is based on the commitment letter we received from Goldman Sachs Lending Partners LLC, the terms of which are subject to the final documentation between us and Goldman Sachs Lending Partners LLC.

Table of Contents

**THE OFFERING**

Issuer	AvalonBay Communities, Inc.
Common stock offered by us	14,500,000 shares (or 16,675,000 shares if the underwriters exercise their over-allotment option in full).
Common stock to be outstanding after this offering	112,207,876 shares (or 114,382,876 shares if the underwriters exercise their over-allotment option in full).
NYSE symbol	AVB
Use of proceeds	We intend to use the net proceeds from this offering to repay a portion of the debt that we assume in connection with the Archstone Portfolio Acquisition, to fund the cash consideration due in connection with the Archstone Portfolio Acquisition, to fund the fees, costs and expenses related thereto, or if the Archstone Portfolio Acquisition does not occur, for general corporate purposes. See "Use of Proceeds."
Risk Factors	An investment in our common stock involves various risks, and prospective investors should carefully consider the matters discussed under the caption entitled "Risk Factors" beginning on page S-19 of this prospectus supplement and in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus before making a decision to invest in our common stock.

The number of shares of common stock to be outstanding after this offering is based upon 97,707,876 shares outstanding as of November 23, 2012.

Unless we specifically state otherwise, the information in this prospectus supplement does not take into account the sale of up to 2,175,000 shares of common stock that the underwriters have the option to purchase from us to cover over-allotments.

Table of Contents

**RISK FACTORS**

*In addition to the other information contained in this prospectus supplement and the accompanying prospectus, you should carefully consider the risks described below and in the prospectus under the heading "Risk Factors" and any additional information and risk factors described in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, including (i) our Annual Reports on Form 10-K, (ii) our Quarterly Reports on Form 10-Q and (iii) any other documents we file with the Securities and Exchange Commission after the date of this prospectus supplement that are deemed incorporated by reference in this prospectus supplement before making an investment decision. These risks are not the only risks we face. Additional risks not presently known to us or that we currently deem immaterial may also adversely affect our business operations. These risks could adversely affect, among other things, our business, financial condition or results of operations, and could cause the trading price of our common stock to decline, resulting in the loss of all or part of your investment.*

***We may fail to consummate the Archstone Portfolio Acquisition or may not consummate it on the terms described herein.***

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

This offering is not conditioned on the consummation of the Archstone Portfolio Acquisition. Therefore, upon the closing of this offering, you will become a holder of our common stock irrespective of whether the Archstone Portfolio Acquisition is consummated, delayed, restructured or terminated. If the Archstone Portfolio Acquisition is delayed or not completed, our common stock that you have purchased in this offering will not reflect any interest in the Archstone Portfolio Acquisition until the Archstone Portfolio Acquisition occurs. If the Archstone Portfolio Acquisition is restructured, it is uncertain as to whether this interest will be adversely affected. If this offering is consummated and the Archstone Portfolio Acquisition does not occur, your expected earnings per share of our common stock may be significantly reduced due to our inability to timely invest the net proceeds from this offering in real estate investments, and the price of our common stock may decline. In addition, if the Archstone Portfolio Acquisition does not occur we will not recover our costs and expenses incurred in connection with the transaction and we may be liable for all or a portion of the \$800.0 million termination fee, if payable.

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

We don't believe that we could meet, or that Equity Residential could meet, the obligations, as buyer, set forth in the Purchase Agreement without the timely performance of the other. Thus, we and Equity Residential are dependent upon the performance of the other to meet the buyer's obligations under the Purchase Agreement. A default by either party under the Purchase Agreement could give rise to adverse consequences to the breaching party pursuant to certain arrangements between us and Equity Residential. Under our arrangements with Equity Residential, if the termination of the Purchase Agreement is solely a result of a breach by either us or Equity

Table of Contents

Residential then the breaching party shall be solely responsible for, and shall indemnify the non-breaching party against, the fees and expenses, including the termination fee of up to \$800.0 million, payable to Lehman resulting from a failure to consummate the acquisition, and any out-of-pocket expenses incurred by such non-breaching party in connection with enforcing its rights against the breaching party.

***If we are unable to raise sufficient proceeds through this offering, we would need to utilize cash on hand and debt financings, including borrowings under our line of credit, in order to close the Archstone Portfolio Acquisition, the sufficiency of which cannot be assured, or seek alternative sources of financing to close the Archstone Portfolio Acquisition, and we cannot assure you that such alternative sources of financing will be available on favorable terms or at all.***

If we are unable to raise sufficient proceeds from this offering, we would need to utilize cash on hand, and debt financings, including borrowings under our unsecured credit facility and/or the Bridge Loan Facility, or seek alternative sources of financing, to close the Archstone Portfolio Acquisition, the sufficiency of which cannot be assured. There can also be no assurance that such alternative sources of financing will be available on favorable terms or at all. Our obligations under the Purchase Agreement are not conditioned upon the consummation of any or all of the financing transactions and if we fail to close due to inadequate funding, we will be responsible for a substantial termination fee as described above.

***If we cannot assume the Archstone indebtedness that we expect to assume, we will be adversely affected and may be unable to close the Archstone Portfolio Acquisition.***

We expect to assume approximately \$2.7 billion principal amount of Archstone's consolidated debt to Fannie Mae. We have received a letter from Fannie Mae consenting to the contemplated transaction and our assumption of this indebtedness, but if Fannie Mae does not fulfill its commitment to us it is unlikely that we will have the resources to repay such debt and we will likely default on our obligations under the Purchase Agreement, causing us to incur the termination fee.

We also expect to assume indebtedness from other lenders. We expect to approach and obtain the consent of most of these other lenders prior to closing. However, to the extent we cannot obtain the consent of the other lenders with respect to a significant amount of Archstone's indebtedness to them, we would be required to repay such indebtedness in order to close. This could cause us to incur significant repayment fees and use financial resources that we do not expect to use to repay such indebtedness, including through borrowings under our Bridge Loan Facility, and this could adversely impact the benefits we expect from the transaction.

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

We intend to assume \$3.7 billion principal amount of consolidated indebtedness in connection with the Archstone Portfolio Acquisition, which will increase our leverage and the ratio of our net debt to our earnings before interest, tax, depreciation and amortization.

This offering of common stock forms a part of a larger financing plan in connection with the Archstone Portfolio Acquisition designed to allow us to repay or refinance over time a portion of assumed indebtedness. See "Prospectus Supplement Summary The Archstone Portfolio Acquisition." However, there can be no assurance that we will be able to reduce or refinance, over time, to the extent we anticipate, the indebtedness we are assuming. Therefore, the increase in

Table of Contents

indebtedness we will incur at closing of the Archstone Portfolio Acquisition could have adverse consequences on our business, such as:

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

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

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

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

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

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

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

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

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

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

We have incurred substantial legal, accounting, financial advisory and/or other costs and our management has devoted considerable time and effort in connection with the Archstone Portfolio Acquisition. If the Archstone Portfolio Acquisition is not completed, we will bear certain fees and expenses associated with the Archstone Portfolio Acquisition without realizing the benefits of the Archstone Portfolio Acquisition. The fees and expenses may be significant and could have an adverse impact on our operating results. For instance, if Lehman terminates the Purchase Agreement due to a breach by us or a failure by us to satisfy a condition precedent to Lehman's obligation to close the Archstone Portfolio Acquisition, we would be obligated to pay to Lehman a termination fee of up to \$800.0 million.

Table of Contents

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

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

our senior management's attention may be diverted from the management of daily operations to the integration of the Archstone Portfolio Acquisition, including management of assets located outside of our core markets pending liquidation;

we may bear costs and expenses associated with any undisclosed or potential liabilities;

the Archstone Portfolio Acquisition may not perform as well as we anticipate; and

unforeseen difficulties may arise in integrating the Archstone Portfolio Acquisition into our portfolio.

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

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

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

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

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

our management's attention may be diverted from our day-to-day business and our employees and our relationships with customers may be disrupted as a result of efforts relating to attempting to consummate the Archstone Portfolio Acquisition;

the market price of our common stock may decline to the extent that the current market price reflects a market assumption that the Archstone Portfolio Acquisition will be completed;

we must pay certain costs related to the Archstone Portfolio Acquisition, such as legal and accounting fees and expenses, regardless of whether the Archstone Portfolio Acquisition is consummated; and

we would not realize the benefits we expect to realize from consummating the Archstone Portfolio Acquisition.



Table of Contents

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

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

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

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

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

We intend to liquidate certain assets acquired in connection with the Archstone Portfolio Acquisition, including assets held in our joint ventures with Equity Residential, after the Archstone Portfolio Acquisition, but we cannot predict whether we will be able to sell any of the properties on favorable terms and conditions, if at all, or the length of time needed to sell any of the assets. We may be unable to sell some of the properties, which may adversely affect our liquidity, or we may have to sell properties at depressed prices, which could adversely affect our results of operations and financial condition.

***Our historical and pro forma condensed consolidated financial information may not be representative of our results as a combined company.***

The pro forma condensed consolidated financial information included in this prospectus supplement are constructed from the separate financial statements of us and the portfolio we will acquire in connection with the Archstone Portfolio Acquisition and may not represent the financial information that would result from operations of the combined portfolio of apartment communities. In addition, the pro forma condensed consolidated financial information incorporated by reference in this prospectus supplement is based in part on certain assumptions that we believe are reasonable. We cannot assure you that our assumptions will prove to be accurate over time. Accordingly, the historical and pro forma condensed consolidated financial information included herein may not reflect what our results of operations and financial condition would have been had our business included the properties we expect to acquire in connection with the Archstone

Table of Contents

Portfolio Acquisition during the periods presented, or what our results of operations and financial condition will be in the future. The challenge of integrating the properties we expect to acquire in the Archstone Portfolio Acquisition makes evaluating our business and our future financial prospects difficult. Our potential for future business success and operating profitability must be considered in light of the risks, uncertainties, expenses and difficulties typically encountered by companies that have completed significant acquisitions.

***Our qualification as a REIT will depend in part on the nature of the assets and rights to income we acquire as part of the Archstone Portfolio Acquisition and joint ventures with Equity Residential.***

Although we intend to structure our ownership and operations of the Archstone Portfolio Acquisition and our joint ventures with Equity Residential in a way that would allow us to continue to qualify as a REIT for federal income tax purposes, no assurances can be given that we will be successful.

As a result of the Archstone Portfolio Acquisition and our ownership interests in the joint ventures with Equity Residential, we expect to acquire interests in certain assets and earn certain items of income that are not, or may not be, qualifying assets or income for purposes of the REIT asset and income tests. Although we do not expect that the amounts of such non-qualifying assets and income will jeopardize our REIT status, our review of the Archstone Portfolio Acquisition is on-going, and we may discover additional non-qualifying assets or income. We may not have the immediate right to change the terms of pre-existing arrangements that generate non-qualifying items or may have to incur significant penalties to terminate such arrangements. To maintain our REIT qualification we may be required to hold significant assets acquired in connection with the Archstone Portfolio Acquisition and some or all of our interests in the joint ventures with Equity Residential through our taxable REIT subsidiaries, or TRSs. We also may hold certain Archstone Portfolio Acquisition assets through our TRSs to avoid the risk of incurring the 100% prohibited transaction tax on any such assets that we sell at a gain. Our domestic TRSs are subject to U.S. tax as regular corporations. Among the assets included in the Archstone Portfolio Acquisition are subsidiaries intended to qualify as REITs. To the extent we hold such subsidiaries outside of our TRSs, our REIT qualification could depend in part on such subsidiaries' compliance with the REIT requirements before our purchase.

The assets of one of our joint ventures with Equity Residential are expected to include interests in a partnership controlled by Equity Residential. As a result of our ownership interest in that joint venture, for purposes of our compliance with the REIT requirements, we will be treated as owning our proportionate share of the assets of that partnership. Although we expect Equity Residential to operate that partnership in compliance with the REIT requirements, because we do not control this joint venture we cannot assure you that it will be operated in compliance with the REIT requirements, and failure to do so could potentially jeopardize our REIT status.

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

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

Table of Contents

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

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

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

***The trading price of our common stock has been and may continue to be subject to wide fluctuations.***

The sale price of our common stock on the New York Stock Exchange has fluctuated in recent quarters. Our stock price may fluctuate in response to a number of events and factors, such as those described elsewhere in this "Risk Factors" section and those events described or incorporated by reference in this prospectus supplement.

#### **FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the accompanying prospectus, including the information incorporated by reference, contain statements that are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. You can identify forward-looking statements by the use of the words "believe," "expect," "anticipate," "intend," "estimate," "assume," "plan," "project," "may," "shall," "will," "outlook" and other similar expressions that predict or indicate future events and trends and which do not relate to historical matters. We cannot assure the future results or outcome 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 because they involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. These risks, uncertainties and other factors, which are described under the headings "Risk Factors" and "Forward-Looking Statements" in the accompanying prospectus and in the documents incorporated by reference, 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.

In addition, these forward-looking statements represent our estimates and assumptions only as of the date of this prospectus supplement. We do not undertake to update these forward-looking statements, and therefore they may not represent our estimates and assumptions after the date of this prospectus supplement.

Table of Contents

**USE OF PROCEEDS**

We expect to receive net proceeds from this offering, after deducting our estimated expenses, of approximately \$ \_\_\_\_\_, or approximately \$ \_\_\_\_\_ if the underwriters' over-allotment option is exercised in full.

We intend to use the net proceeds from this offering to repay a portion of the debt that we assume in connection with the Archstone Portfolio Acquisition, to fund the cash consideration due in connection with the Archstone Portfolio Acquisition, to fund the fees, costs and expenses related thereto, or if the Archstone Portfolio Acquisition does not occur, for general corporate purposes. Pending such use we will invest the net proceeds from this offering in readily marketable interest bearing securities consistent with our intention to qualify as a REIT; accordingly, we will hold more cash and cash equivalents than has historically been the case until such time as these funds are used in the funding of the Archstone Portfolio Acquisition or for other general corporate purposes.

**CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2012:

on an actual basis;

on an as adjusted basis giving effect to the sale of \$1.8 billion of our common stock in this offering after deducting the underwriting discounts and commissions and our estimated offering expenses and assuming no exercise of the underwriters' option to purchase additional shares; and

on a pro forma basis giving effect to:

1. the offering and sale of our common stock in this offering after deducting the underwriting discounts and commissions and our estimated offering expenses and assuming no exercise of the underwriters' option to purchase additional shares;
2. the issuance by us of 14,889,706 shares of our common stock to Archstone;
3. the assumption of approximately \$2.8 billion principal amount of consolidated indebtedness after expected repayment of certain assumed indebtedness in connection with the Archstone Portfolio Acquisition; and
4. the application of the net proceeds from this offering to fund the Archstone Portfolio Acquisition, the fees, costs and expenses related thereto, and to repay a portion of the debt that we assume in connection with the Archstone Portfolio Acquisition as described in "Use of Proceeds."

In the table below, we have assumed that we will fund our portion of the Archstone Portfolio Acquisition using the net proceeds from this offering. We actively monitor the capital markets, and may seek additional opportunities to further optimize our capital structure, including to finance the cost of the Archstone Portfolio Acquisition after applying the net proceeds from this offering that will be used to finance the Archstone Portfolio Acquisition. Our actual sources of financing may differ

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Table of Contents

depending on a variety of factors, including market conditions. Accordingly, the actual amounts may differ materially from those shown below in the "As adjusted" and "Pro forma" columns.

	<b>As of September 30, 2012</b>		
	<b>Actual</b>	<b>As adjusted</b>	<b>Pro forma</b>
	<b>(unaudited, amounts in thousands)</b>		
Cash and cash equivalents	\$ 664,133	\$ 2,472,048	\$ 664,133
Debt:			
Unsecured notes, net	\$ 1,899,208	\$ 1,899,208	\$ 1,899,208
Variable rate unsecured credit facility			
Mortgage loans	1,908,872	1,908,872	4,858,189
Total consolidated debt	3,808,080	3,808,080	6,757,397
Redeemable noncontrolling interests	7,203	7,203	7,203
Total stockholders' equity	4,717,316	6,525,231	8,285,336
Noncontrolling Interests	3,559	3,559	3,559
Total equity	4,720,875	6,528,790	8,288,895
Total capitalization	\$ 8,536,158	\$ 10,344,073	\$ 15,053,495

You should read the above table in conjunction with the section entitled "Unaudited Pro Forma Condensed Consolidated Financial Statements" included herein and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2011, as amended, and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, our consolidated financial statements, related notes and other financial information that we have incorporated by reference into this prospectus supplement and the accompanying prospectus and the consolidated financial statements and related notes of the Archstone Portfolio, which are included in this prospectus supplement beginning on page F-1.

Table of Contents

**UNDERWRITING; CONFLICTS OF INTEREST**

We are offering the shares of common stock described in this prospectus supplement through the underwriters, for which Goldman, Sachs & Co is acting as representative. Subject to the terms and conditions described in an underwriting agreement among us and the underwriters, the underwriters severally have agreed to purchase, and we have agreed to sell to them, the number of shares of common stock listed opposite their names below.

Name	Number of Shares
Goldman, Sachs & Co.	
Total	14,500,000

The underwriters are committed to purchase all of the shares of common stock offered by us if they purchase any such shares. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus supplement are subject to the approval of certain legal matters by their counsel and to other conditions. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

The underwriters initially propose to offer the shares for sale at the offering price set forth on the cover page of this prospectus supplement.

We have granted to the underwriters an option to purchase up to an aggregate of 2,175,000 additional shares of common stock at the public offering price listed on the cover page of this prospectus supplement. The underwriters have 30 days from the date of this prospectus supplement to exercise this over-allotment option. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus supplement. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

The estimated offering expenses payable by us are approximately \$500,000.

We have agreed that, without the prior written consent of Goldman, Sachs & Co, on behalf of the underwriters, we will not, during the period beginning on the date of this prospectus supplement and ending 60 days thereafter:

offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or

enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock;

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise.

Table of Contents

The restrictions described in the immediately preceding paragraph do not apply to:

the sale to the underwriters of the shares of common stock offered by this prospectus supplement;

the issuance by us of shares of common stock upon the exercise of an option or a warrant or the conversion or redemption of a security (including, without limitation, downREIT units of limited partnership);

the grant of options or the issuance of shares of common stock by us to employees, officers, directors, advisors or consultants in the ordinary course pursuant to any current or future employee or director stock option, incentive or benefit plan, employee stock purchase, long-term incentive plan, deferred compensation plan or ownership plan or dividend investment plan; or

the issuance of shares under our dividend reinvestment and stock purchase plan;

the issuance of shares of common stock in connection with acquisitions, provided that such acquisitions do not in the aggregate exceed 10% of our fully diluted common stock as of the date of this prospectus supplement, and provided further that the recipient agrees to the above restrictions on transfer of acquisition shares for the remainder of the 60 day period referred to above.

Our directors and executive officers have agreed that they will not, without, in each case, the prior written consent of Goldman, Sachs & Co, on behalf of the underwriters, during the period beginning on the date of this prospectus supplement and ending 60 days thereafter:

offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any of our shares of common stock or any securities convertible into or exercisable or exchangeable for shares of our common stock; or

enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of shares of our common stock, whether any transaction described above is to be settled by delivery of our shares or other securities, in cash or otherwise.

The restrictions described in the above paragraphs relating to certain of our directors and executive officers do not apply to:

the exercise for cash of any stock option, provided that all shares issued upon exercise are subject to the lock-up agreement;

sales pursuant to plans complying with the safe harbor provided by Rule 10b5-1 promulgated under the Exchange Act that were entered into prior to the date of this prospectus supplement;

acquisitions of shares of our common stock or other securities in the open market after the completion of this public offering;

a foreclosure by a bona fide lender upon shares which on the date hereof are pledged to secure a loan, provided that such directors or executive officers used reasonable efforts to prevent such foreclosure; or

any transfer of our common stock as a bona fide gift or gifts, provided that, in the case of a gift of greater than 7,500 shares of our common stock or a gift to a donee that is not a tax exempt charitable organization or foundation, the donee or donees

thereof agree to be

S-29

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Table of Contents

bound in writing to the above restrictions for the remainder of the 60 day period referred to above.

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling shares of common stock in the open market for the purpose of preventing or retarding a decline in the market price of the common stock while this offering is in progress. These stabilizing transactions may include making short sales of the common stock, which involves the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering, and purchasing shares of common stock on the open market to cover positions created by short sales. Short sales may be "covered" shorts, which are short positions in an amount not greater than the underwriters' over-allotment option referred to above, or may be "naked" shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the over-allotment option. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the common stock, including the imposition of penalty bids. This means that if the representative of the underwriters purchases common stock in the open market in stabilizing transactions or to cover short sales, the representative can require the underwriters that sold those shares as part of this offering to repay any underwriting discount received by them.

These activities may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock, and, as a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise.

Our common stock is quoted on the New York Stock Exchange under the symbol "AVB."

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

This prospectus supplement or accompanying prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters, and one or more of the underwriters may distribute prospectuses electronically. Other than the prospectus supplement or accompanying prospectus in electronic format, the information on any of these websites and any other information contained on a website maintained by an underwriter or syndicate member is not part of this prospectus supplement or accompanying prospectus. The underwriters may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters that make Internet distributions on the same basis as other allocations.

In the ordinary course of business, the underwriters and/or their affiliates have engaged, or may in the future engage, in commercial banking or investment banking transactions with us and our affiliates for which they have received, and will in the future receive, customary compensation.

Table of Contents

Goldman Sachs Lending Partners LLC, an affiliate of Goldman Sachs & Co., Inc., one of the underwriters, is making available to us a senior unsecured bridge facility in an amount up to \$2.2 billion for use in connection with the Archstone Portfolio Acquisition. Certain of Goldman Sachs & Co., Inc.'s various asset management affiliates hold approximately \$273.0 million of our common stock. In addition, the underwriters and their affiliates have provided, and may in the future provide, construction loans, letter of credit facilities and other credit-related arrangements to the Company.

The underwriters and their affiliates have provided, or may in the future provide, various investment banking, commercial banking, financial advisory, brokerage and other services to us and our affiliates for which services they have received, and may in the future receive, customary fees. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and such investment and securities activities may involve securities and/or instruments of the Company. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**Notice to Prospective Investors in the European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, as defined below (each, a "Relevant Member State"), an offer of shares to the public may not be made in that Relevant Member State, except that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, an offer of shares to the public may only be made in that Relevant Member State:

to any legal entity which is a qualified investor as defined in the Prospectus Directive;

to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior written consent of the representatives for any such offer; or

in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospective Directive.

For the purposes of this provision, the expression "an offer of shares to the public" in relation to the shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State; the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in that Relevant Member State), and includes any relevant implementing measure in each Relevant Member State; and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Each purchaser of the shares described in this prospectus supplement located within a Relevant Member State will be deemed to have represented, acknowledged and agreed to and with us and each underwriter that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

Table of Contents

We have not authorized and do not authorize the making of any offer of shares through any financial intermediary on our behalf, other than offers made by the underwriters with a view to the final placement of the shares as contemplated in this prospectus supplement. Accordingly, no purchaser of the shares, other than the underwriters, is authorized to make any further offer of the shares on behalf of us or the underwriters.

**Notice to Prospective Investors in the United Kingdom**

The applicable provisions of the United Kingdom's Financial Services and Markets Act 2000 (the "FSMA") must be complied with in respect of anything done in relation to the shares in, from or otherwise involving the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA), in connection with the issue or sale of the shares, has only been and will only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to us.

Without limitation to the other restrictions referred to herein, this prospectus supplement and any documents and/or materials relating to the shares are directed only at and distributed only to persons located or resident outside the United Kingdom or, if located or resident in the United Kingdom, to (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), (ii) high net worth companies, unincorporated associations and other persons falling within Article 49(2) (a) to (d) of the Order or (iii) any other persons to whom this prospectus supplement and such other documents or materials may otherwise lawfully be communicated in accordance with the Order. Without limitation to the other restrictions referred to herein, any investment or investment activity to which this prospectus supplement relates is available only to, and will be engaged in only with, such persons, and persons within the United Kingdom who receive this communication (other than persons who fall within (i) to (iii) above) should not rely or act upon this communication.

**Notice to Prospective Investors in Hong Kong**

The shares may not be offered or sold to persons in Hong Kong by means of any document other than (i) to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or (ii) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (iii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iv) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Future', Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

**Notice to Prospective Investors in Japan**

The shares offered in this prospectus supplement have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the "Financial Instruments and Exchange Law"). The shares have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account or benefit of any

Table of Contents

resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity incorporated or organized under the laws of Japan), or to, or for the account or benefit of, others for re-offering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) otherwise in compliance with the Financial Instruments and Exchange Law and any other applicable requirements of Japanese law.

**Notice to Prospective Investors in Singapore**

Neither this prospectus supplement nor the accompanying prospectus has been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement, the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer under Section 275(1A) of the SFA (an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than \$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets), and in accordance with the conditions specified in Section 275 of the SFA;

where no consideration is or will be given for the transfer; or

where the transfer is by operation of law.

**Notice to Prospective Investors in The Netherlands**

The offer in The Netherlands of the shares included in this offering is exclusively limited to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises).

Table of Contents

**Notice to Prospective Investors in Switzerland**

We have not and will not register with the Swiss Financial Market Supervisory Authority ("FINMA") as a foreign collective investment scheme pursuant to Article 119 of the Federal Act on Collective Investment Scheme of 23 June 2006, as amended ("CISA"), and accordingly the shares being offered pursuant to this prospectus supplement have not and will not be approved, and may not be licensable, with FINMA. Therefore, the shares have not been authorized for distribution by FINMA as a foreign collective investment scheme pursuant to Article 119 CISA and the shares offered hereby may not be offered to the public (as this term is defined in Article 3 CISA) in or from Switzerland. The shares may solely be offered to "qualified investors," as this term is defined in Article 10 CISA, and in the circumstances set out in Article 3 of the Ordinance on Collective Investment Scheme of 22 November 2006, as amended ("CISO"), such that there is no public offer. Investors, however, do not benefit from protection under CISA or CISO or supervision by FINMA. This prospectus supplement, the accompanying prospectus and any other materials relating to the shares are strictly personal and confidential to each offeree and do not constitute an offer to any other person. This prospectus supplement and the accompanying prospectus may only be used by those qualified investors to whom it has been handed out in connection with the offer described herein and may neither directly or indirectly be distributed or made available to any person or entity other than its recipients. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in Switzerland or from Switzerland. This prospectus does not constitute an issue prospectus as that term is understood pursuant to Article 652a and/or 1156 of the Swiss Federal Code of Obligations. We have not applied for listing of the shares on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this prospectus does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange.

**Notice to Prospective Investors in the Dubai International Financial Centre**

This prospectus supplement relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This prospectus supplement is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement nor taken steps to verify the information set forth herein and has no responsibility for the prospectus supplement. The shares to which this prospectus supplement relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus supplement you should consult an authorized financial advisor.

Table of Contents

**LEGAL MATTERS**

Goodwin Procter LLP, Boston, Massachusetts, will pass upon certain matters relating to this offering for us. Certain legal matters will be passed upon for the underwriters by O'Melveny & Myers LLP, San Francisco, California.

**EXPERTS**

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements and schedule included in our Annual Report on Form 10-K for the year ended December 31, 2011, and the effectiveness of our internal control over financial reporting as of December 31, 2011, as set forth in their reports, which are incorporated by reference in this prospectus and elsewhere in the registration statement. Our financial statements and schedule are incorporated by reference in reliance on Ernst & Young LLP's reports, given on their authority as experts in accounting and auditing.

The combined statement of revenue and certain expenses of the Archstone Portfolio, appearing in our Current Report on Form 8-K filed with the SEC on November 26, 2012, has been included in this prospectus supplement in reliance upon the report of KPMG LLP, independent auditors, appearing elsewhere herein, and upon authority of such firm as experts in accounting and auditing. KPMG LLP's report on the combined statement of revenue and certain expenses of the Archstone Portfolio contains a paragraph that states that the combined statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the SEC, as described in Note 1 to the combined statement of revenue and certain expenses, and it is not intended to be complete presentation of the Archstone Portfolio's revenue and expenses.

**WHERE YOU CAN FIND MORE INFORMATION AND DOCUMENTS  
INCORPORATED BY REFERENCE**

We are subject to the information requirements of the Exchange Act, and in accordance with the Exchange Act, we file annual, quarterly, and current reports, proxy statements, and other information with the SEC. You may read and copy any document we file at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our SEC filings are also available to the public from the SEC's website at <http://www.sec.gov>. In addition, you may read our SEC filings at the offices of the New York Stock Exchange, which is located at 20 Broad Street, New York, New York 10005.

We have a website located at <http://www.avalonbay.com>. The information on our website is not a part of this prospectus supplement.

The information incorporated by reference herein is an important part of this prospectus supplement. Any statement contained in a document which is incorporated by reference in this prospectus supplement is automatically updated and superseded if information contained in this prospectus supplement, or information that we have filed or later file with the SEC prior to the termination of this offering, modifies or replaces this information. We are incorporating by reference the documents listed below, which were previously filed with the SEC:

Annual Report on Form 10-K for the year ended December 31, 2011 filed on February 27, 2012;

Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2012, filed on May 4, 2012, June 30, 2012, filed on August 3, 2012, and September 30, 2012, filed on November 2, 2012;

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### Table of Contents

Current Reports on Form 8-K filed on February 28, 2012, May 24, 2012, August 3, 2012, September 13, 2012, September 20, 2012 and November 26, 2012;

Definitive Proxy Statement filed on March 29, 2012;

the description of the AvalonBay Communities, Inc. common stock in AvalonBay Communities, Inc.'s Registration Statement on Form 8-B filed on June 8, 1995; and

all documents filed by us with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement and prior to the termination of this offering, except as to any portion of any future report or document that is not deemed filed under such provisions.

Upon request, we will provide, without charge, to each person, including any beneficial owner, to whom a copy of this prospectus supplement is delivered a copy of the documents incorporated by reference in this prospectus supplement. You may request a copy of these filings, and any exhibits we have specifically incorporated by reference as an exhibit in this prospectus supplement, by writing or telephoning us at the following:

AvalonBay Communities, Inc.  
671 N. Glebe Road, Suite 800  
Arlington, VA 22203  
Attention: Investor Relations  
(703) 329-6300

S-36

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Table of Contents

**INDEX TO FINANCIAL STATEMENTS**

**ARCHSTONE PORTFOLIO**

Independent Auditors' Report

F-2

Combined Statements of Revenue and Certain Expenses for the Nine Months Ended September 30, 2012 (unaudited) and for the Year Ended December 31, 2011

F-3

Notes to Combined Statements of Revenue and Certain Expenses

F-4

**ARCHSTONE PORTFOLIO**

Unaudited Pro Forma Condensed Consolidated Financial Statements

F-7

Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2012

F-9

Unaudited Pro Forma Condensed Consolidated Statements of Operations for the Nine Months Ended September 30, 2012 and for the Year Ended December 31, 2011

F-10

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

F-12

Reconciliation to Non-GAAP Financial Measures

F-18

F-1

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Table of Contents

**INDEPENDENT AUDITORS' REPORT**

The Partners  
Archstone Enterprise LP:

We have audited the accompanying combined statement of revenue and certain expenses of the Archstone Portfolio (the "Properties") for the year ended December 31, 2011. This combined financial statement is the responsibility of the management of Archstone Enterprise LP. Our responsibility is to express an opinion on the combined financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Properties' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying combined statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and for the inclusion in Form 8-K of AvalonBay Communities, Inc., as described in Note 1 to the combined financial statement. It is not intended to be a complete presentation of the Properties' revenue and expenses.

In our opinion, the combined statement of revenue and certain expenses referred to above presents fairly, in all material respects, the combined revenue and certain expenses, as described in Note 1, of the Properties for the year ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP  
Denver, Colorado  
November 26, 2012

Table of Contents**ARCHSTONE PORTFOLIO****Combined Statements of Revenue and Certain Expenses**

	<b>Nine Months Ended September 30, 2012 (unaudited)</b>	<b>Year Ended December 31, 2011</b>
<b>Revenue</b>		
Rental revenue	\$ 282,051,298	\$ 331,043,138
Other revenue	64,729,294	78,499,077
Total revenue	346,780,592	409,542,215
<b>Certain expenses</b>		
Operating	39,748,154	46,181,145
Utilities	15,796,861	19,911,736
Maintenance	5,087,823	6,363,345
Real estate taxes and insurance	48,132,141	50,348,082
Ground lease	1,413,844	1,740,947
Management fees	9,233,591	10,523,146
Total certain expenses	119,412,414	135,068,401
Revenue in excess of certain expenses	\$ 227,368,178	\$ 274,473,814

See accompanying notes.

Table of Contents

**ARCHSTONE PORTFOLIO**

**Combined Statements of Revenue and Certain Expenses**

**1. Basis of Presentation**

The accompanying combined statements of revenue and certain expenses (the "Statements") include the operations of a portfolio of 68 properties throughout the United States (the "Properties"), collectively containing 22,167 apartment homes, which have been combined for purposes of the Statements as each of the Properties are expected to be acquired from the same seller. On November 26, 2012, an announcement was made describing the signing of a purchase and sale agreement and the expected sale of the Properties to AvalonBay Communities, Inc., ("AVB"), a Maryland corporation. The specific properties and terms of the sale are outlined in the Asset Purchase Agreement made as of November 26, 2012.

The Statements have been prepared for the purpose of complying with the provisions of Rule 3-14 of Regulation S-X promulgated by the Securities and Exchange Commission (the "SEC"). The Statements include the combined historical revenue and certain expenses of the Properties, exclusive of items which may not be comparable to the proposed future operations of the Properties. Material amounts that would not be directly attributable to future operating results of the Properties are excluded, and the Statements are not intended to be a complete presentation of the Properties' revenue and expenses. Items excluded consist of depreciation and amortization, interest expense and income taxes.

The unaudited interim Statement for the nine months ended September 30, 2012 was prepared on the same basis as the Statement for the year ended December 31, 2011 and reflects all adjustments (consisting of only normal recurring adjustments), which are, in the opinion of management, necessary for a fair presentation of the combined revenue and certain expenses for the period presented. The combined revenue and certain expenses for the nine months ended September 30, 2012 are not necessarily indicative of the expected results for the entire fiscal year ending December 31, 2012.

The Statements also include 100% of the revenue and certain expenses of properties in which the seller has a direct or indirect ownership interest of less than 100%.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The Statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

**Estimates**

The preparation of the Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of combined revenue and expenses during the reporting periods. Actual results could differ from those estimates.

**Revenue Recognition**

The Properties generally lease apartment units under operating leases with terms of one year or less. Rental income related to apartment leases is recognized on a straight-line basis, which is not materially different than if it were recorded when due from residents and recognized monthly as it was earned.

Table of Contents

**ARCHSTONE PORTFOLIO**

**Combined Statements of Revenue and Certain Expenses (Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

Utility reimbursements from residents are recorded on a gross basis and included in other revenue in the accompanying Statements.

Certain properties are subject to residential master leases ("Master Leases") entered into with a third-party operator in 2005 and have seven-year terms, expiring July 2012, subject to the counterparty's right to terminate individual leases under certain circumstances. Upon termination of each lease certain lease transition provisions will apply. In July 2012, the Properties entered into agreements with the third party operator to extend four of the master leases for an additional five years to July 31, 2017. Each of the master leases is cancellable by either party after two years; provided that the Properties also have the right to sell the communities subject to the master lease at any time, without penalty, which will cause the master lease to terminate 90 days after the sale. In 2012 (unaudited), an affiliate of the Properties assumed management of four of the communities for which master leases were not extended. After giving effect to the new lease terms and considering only the four extended leases, the estimated aggregate annual contractual base rent due under the remaining leases is \$6.4 million (unaudited) for the period from October 1, 2012 to December 31, 2012, \$25.7 million (unaudited) for each of 2013-2016, and \$15.0 million (unaudited) for 2017. The base rent is subject to annual adjustments on January 1 of each year generally equal to the percentage change in the average same store net operating income ("NOI") for certain other specified properties managed by an affiliate of the Properties. Rental income related to these leases is recognized in the period earned over the lease term in accordance with FASB ASC 840, *Leases*.

**Repairs and Maintenance**

Repairs and maintenance costs are expensed as incurred, while significant improvements, renovations and replacements are capitalized.

**Advertising Costs**

All advertising costs are expensed as incurred and included as operating expenses in the accompanying Statements. For the nine-month period ending September 30, 2012 (unaudited) and the year ended December 31, 2011, advertising expenses were approximately \$2,338,000 and \$2,754,000, respectively.

**3. Related Party Transactions**

An affiliate of the Properties performed the property management function and charged the Properties total management fees in the amounts of approximately \$584,000 and \$22,000 for the nine-month period ending September 30, 2012 (unaudited) and the year ended December 31, 2011, respectively, which are included in management fees in the accompanying Statements.

An affiliate of the Properties incurred costs to manage the Properties and allocated a proportionate share of the costs to the Properties based on a percentage of revenue in the amounts of \$8,649,237 and \$10,501,057 for the nine-month period ending September 30, 2012 (unaudited) and the year ended December 31, 2011, respectively, and such amounts are included in management fees in the accompanying Statements.

An affiliate of the Properties allocated insurance expense under a master policy to the Properties and various affiliated properties. Insurance expense was \$7,666,047 and \$10,175,535 for

Table of Contents**ARCHSTONE PORTFOLIO****Combined Statements of Revenue and Certain Expenses (Continued)****3. Related Party Transactions (Continued)**

the nine months ended September 30, 2012 (unaudited) and the year ended December 31, 2011, respectively, and such amounts are included in real estate taxes and insurance in the accompanying Statements.

**4. Ground Leases**

Two of the Properties are subject to a non-cancelable ground lease in effect as of December 31, 2011. The effective minimum annual payments, excluding contingent rent based on a percentage of gross income, are as follows:

<b>Year</b>	<b>Amount</b>
2012	\$ 42,000
2013	42,000
2014	42,000
2015	42,000
2016	42,000
Thereafter	1,844,500
<b>Total</b>	<b>\$ 2,054,500</b>

F-6

Table of Contents

**AVALONBAY COMMUNITIES, INC.**

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As of and For the Nine Months Ended September 30, 2012 and  
For the Year Ended December 31, 2011**

On November 26, 2012, AvalonBay Communities, Inc. (the "Company") entered into an asset purchase agreement (the "Purchase Agreement") with (i) Equity Residential and its operating partnership, ERP Operating Partnership LP (collectively "EQR"), (ii) Lehman Brothers Holdings Inc. and certain of its affiliates ("Lehman") and (iii) Archstone Enterprise LP ("Archstone") pursuant to which the Company and EQR will acquire, directly or indirectly, all of the assets and entities owned by, and certain liabilities of, Archstone (the "Acquisition"). Pursuant to the Purchase Agreement and a separate agreement between the Company and EQR, the Company's portion of consideration for the Acquisition is as follows: (i) 14,889,706 shares of the Company's common stock, (ii) \$669.0 million in cash from the Company, (iii) assumption of indebtedness with a principal amount of \$3.7 billion and a fair value of approximately \$3.9 billion, (iv) an obligation to pay, when presented for redemption, approximately \$132.2 million in respect of the liquidation value and accrued dividends on outstanding Archstone preferred units and (v) 40% of certain other Archstone liabilities. Through the Acquisition, the Company expects to acquire a full or partial ownership interest in a portfolio of properties (the "Archstone Portfolio"), consisting of 68 operating apartment communities, containing 22,167 apartment homes, seven development properties and three land holdings. The remaining assets and liabilities of Archstone that are not acquired or assumed directly or indirectly by either the Company or EQR will be acquired through one or more joint ventures to be formed between the Company and EQR. In addition, the Company anticipates incurring approximately \$241.8 million in transaction costs and costs associated with funding the Acquisition.

The Acquisition, including transaction and funding related costs, is expected to be funded through:

approximately \$1.8 billion of net proceeds from this offering;

the assumption, by the Company, of indebtedness with a fair value of approximately \$3.9 billion (as of September 30, 2012) of which the Company anticipates repaying \$953 million; and

the issuance, by the Company, of 14,889,706 shares of the Company's common stock, par value \$0.01 per share.

The accompanying unaudited Pro Forma Condensed Consolidated Balance Sheet of the Company is presented as if the Acquisition had occurred on September 30, 2012. The accompanying unaudited Pro Forma Condensed Consolidated Statements of Operations for the nine months ended September 30, 2012 and the year ended December 31, 2011 are presented as if the Acquisition had occurred on January 1, 2011.

The Acquisition will be accounted for using the acquisition method of accounting. The total consideration will be allocated to the assets ultimately acquired and the liabilities ultimately assumed at their respective fair values. The allocations of the purchase price reflected in these unaudited Pro Forma Condensed Consolidated Financial Statements have not been finalized and are based upon preliminary estimates of fair values, which is the best available information at the current time. The final determination of the fair values of these assets and liabilities, which cannot be made prior to the completion of the Acquisition, will be based on the actual valuations of tangible and intangible assets and liabilities that exist as of the date the transaction is completed. Consequently, amounts preliminarily allocated to identifiable tangible and intangible assets and

Table of Contents

**AVALONBAY COMMUNITIES, INC.**

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of and For the Nine Months Ended September 30, 2012 and  
For the Year Ended December 31, 2011**

liabilities could change significantly from those used in the accompanying unaudited Pro Forma Condensed Consolidated Financial Statements and could result in a material change in depreciation and amortization of tangible and intangible assets and liabilities. Additionally, proceeds assumed to satisfy our purchase obligation are predicated on anticipated issuances of equity securities and debt by the Company. There can be no assurance that such transactions will occur on the terms estimated or at all.

These unaudited Pro Forma Condensed Consolidated Financial Statements are prepared for informational purposes only, and are based on assumptions and estimates considered appropriate by the Company's management. However, they are not necessarily indicative of what the Company's consolidated financial condition or results of operations actually would have been assuming the Acquisition had occurred as of the dates indicated, nor do they purport to represent the consolidated financial position or results of operations for future periods. The final valuation of assets and liabilities, allocation of the purchase price, timing of completion of the Acquisition and other changes to the Archstone Portfolio's tangible and intangible assets and liabilities that occur prior to completion of the Acquisition, as well as the ability to obtain loan servicer consents or satisfy other closing conditions, could cause material differences in the information presented.

These unaudited Pro Forma Condensed Consolidated Financial Statements should be read in conjunction with the Company's historical consolidated financial statements reported on Form 10-Q for the nine months ended September 30, 2012 and Form 10-K for the year ended December 31, 2011, as included in the Company's previous filings with the Securities and Exchange Commission.

Table of Contents

## AVALONBAY COMMUNITIES, INC

## PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

As of September 30, 2012

(Unaudited)

(Dollars in thousands)

	Historical 9-30-12 (A)	Acquisition of Archstone Portfolio (B)	Pro Forma Adjustments	Pro Forma 9-30-12
<b>ASSETS</b>				
Real estate:				
Net real estate investments	\$ 7,878,648	\$ 6,498,942(C)	\$	\$ 14,377,590
Cash and cash equivalents	664,133	(1,807,915)(K)	1,807,915(K)	664,133
Cash in escrow	49,851			49,851
Investments in unconsolidated real estate entities	139,405	36,107(C),(D)		175,512
Deferred financing costs, net	33,557	32,100(F)		65,657
Other assets	202,972	68,665(E)		271,637
<b>Total assets</b>	<b>\$ 8,968,566</b>	<b>\$ 4,827,899</b>	<b>\$ 1,807,915</b>	<b>\$ 15,604,380</b>
<b>LIABILITIES AND EQUITY</b>				
Unsecured notes, net	\$ 1,899,208	\$	\$	\$ 1,899,208
Variable rate unsecured credit facility				
Mortgage notes payable	1,908,872	2,949,317(F)		4,858,189
Accrued expenses and other liabilities	432,408	118,477(G)		550,885
<b>Total liabilities</b>	<b>4,240,488</b>	<b>3,067,794</b>		<b>7,308,282</b>
Redeemable noncontrolling interests	7,203			7,203
Equity:				
Preferred stock, \$0.01 par value; \$25 liquidation preference				
Common stock, \$0.01 par value	977	149(H)	145(J)	1,271
Additional paid-in capital	4,980,937	1,913,774(H)	1,807,770(J)	8,702,481
Accumulated earnings less dividends	(153,811)	(153,818)(I)		(307,629)
Accumulated other comprehensive loss	(110,787)			(110,787)
<b>Total stockholders' equity</b>	<b>4,717,316</b>	<b>1,760,105</b>	<b>1,807,915</b>	<b>8,285,336</b>
Noncontrolling interests	3,559			3,559
<b>Total equity</b>	<b>4,720,875</b>	<b>1,760,105</b>	<b>1,807,915</b>	<b>8,288,895</b>
<b>Total liabilities and equity</b>	<b>\$ 8,968,566</b>	<b>\$ 4,827,899</b>	<b>\$ 1,807,915</b>	<b>\$ 15,604,380</b>

See accompanying notes to unaudited Pro Forma Condensed Consolidated Financial Statements.





Table of Contents**AVALONBAY COMMUNITIES, INC.****PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS****For the Nine Months Ended September 30, 2012****(Unaudited)****(Dollars in thousands, except per share data)**

	Historical 9-30-12 (AA)	Acquisition of Archstone Portfolio (BB)	Pro Forma Adjustments	Pro Forma 9-30-12
<b>Revenue:</b>				
Rental and other income	\$ 773,424	\$ 346,781	\$ (22,070)(CC)	\$ 1,098,135
Management, development and other fees	7,852			7,852
<b>Total revenue</b>	<b>781,276</b>	<b>346,781</b>	<b>(22,070)</b>	<b>1,105,987</b>
<b>Expenses:</b>				
Operating expenses	280,477	119,412	(10,349)(CC)	389,540
Interest expense, net	100,804		57,139 (DD)	157,943
Loss on extinguishment of debt, net	1,179			1,179
Depreciation expense	193,434		106,206 (EE)	299,640
General and administrative expense	26,398		1,605 (FF)	28,003
Impairment loss land holdings				
<b>Total expenses</b>	<b>602,292</b>	<b>119,412</b>	<b>154,601</b>	<b>876,305</b>
Equity in income (loss) of unconsolidated entities	9,801		(7,273)(CC)	2,528
Gain on sale of land	280			280
Gain on acquisition of unconsolidated real estate entity	14,194			14,194
<b>Income from continuing operations</b>	<b>203,259</b>	<b>227,369</b>	<b>(183,944)</b>	<b>246,684</b>
<b>Net income attributable to noncontrolling interests</b>	<b>334</b>			<b>334</b>
<b>Net income from continuing operations attributable to common stockholders</b>	<b>\$ 203,593</b>	<b>\$ 227,369</b>	<b>\$ (183,944)</b>	<b>\$ 247,018</b>
<b>Earnings per common share basic (from continuing operations)</b>	<b>\$ 2.12</b>			<b>\$ 1.97</b>
<b>Earnings per common share diluted (from continuing operations)</b>	<b>\$ 2.11</b>			<b>\$ 1.96</b>
<b>Weighted Average Shares Basic</b>	<b>95,742,676</b>	<b>14,889,706 (H)</b>	<b>14,500,000 (J)</b>	<b>125,132,382</b>
<b>Weighted Average Shares Diluted</b>	<b>96,401,558</b>	<b>14,889,706 (H)</b>	<b>14,500,000 (J)</b>	<b>125,791,264</b>

See accompanying notes to unaudited Pro Forma Condensed Consolidated Financial Statements.

Table of Contents**AVALONBAY COMMUNITIES, INC.****PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS****For the Year Ended December 31, 2011****(Unaudited)****(Dollars in thousands, except per share data)**

<b>Revenue:</b>	<b>Historical 12-31-11 (AA)</b>	<b>Acquisition of Archstone Portfolio (BB)</b>	<b>Pro Forma Adjustments</b>	<b>Pro Forma 12-31-11</b>
Rental and other income	\$ 959,055	\$ 409,542	\$ (8,333)(CC)	\$ 1,360,264
Management, development and other fees	9,656			9,656
<b>Total revenue</b>	<b>968,711</b>	<b>409,542</b>	<b>(8,333)</b>	<b>1,369,920</b>
<b>Expenses:</b>				
Operating expenses	361,401	135,068	(3,483)(CC)	492,986
Interest expense, net	168,179		73,260(DD)	241,439
Loss on extinguishment of debt, net	1,940			1,940
Depreciation expense	246,666		374,940(EE)	621,606
General and administrative expense	29,371		2,140(FF)	31,511
Impairment loss land holdings	14,052			14,052
<b>Total expenses</b>	<b>821,609</b>	<b>135,068</b>	<b>446,857</b>	<b>1,403,534</b>
Equity in income (loss) of unconsolidated entities	5,120		(7,064)(CC)	(1,944)
Gain on sale of land	13,716			13,716
Gain on acquisition of unconsolidated real estate entity				
<b>Income from continuing operations</b>	<b>165,938</b>	<b>274,474</b>	<b>(462,254)</b>	<b>(21,842)</b>
Net income attributable to noncontrolling interests	252			252
<b>Net income from continuing operations attributable to common stockholders</b>	<b>\$ 166,190</b>	<b>\$ 274,474</b>	<b>\$ (462,254)</b>	<b>\$ (21,590)</b>
Earnings per common share basic (from continuing operations)	\$ 1.84			\$ (0.18)
Earnings per common share diluted (from continuing operations)	\$ 1.84			\$ (0.18)
Weighted Average Shares Basic	89,922,465	14,889,706(H)	14,500,000(J)	119,312,171
Weighted Average Shares Diluted	90,777,462	14,889,706(H)	14,500,000(J)	120,167,168

See accompanying notes to unaudited Pro Forma Condensed Consolidated Financial Statements.

Table of Contents

**AVALONBAY COMMUNITIES, INC.**

**NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**1. Basis of Pro Forma Presentation**

AvalonBay Communities, Inc. (the "Company," which term, unless the context otherwise requires, refers to AvalonBay Communities, Inc. together with its consolidated subsidiaries), is a Maryland corporation that elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986 (the "Code"). The Company focuses on the development, acquisition, ownership and operation of apartment communities in high barrier to entry markets of the United States. These markets are located in the New England, Metro New York/New Jersey, Mid-Atlantic, Pacific Northwest, and Northern and Southern California regions of the country.

On November 26, 2012, the Company entered into an asset purchase agreement (the "Purchase Agreement") with (i) Equity Residential and its operating partnership, ERP Operating Partnership LP (collectively "EQR"), (ii) Lehman Brothers Holdings Inc. and certain of its affiliates ("Lehman") and (iii) Archstone Enterprise LP ("Archstone") pursuant to which the Company and EQR will acquire, directly or indirectly, all of the assets and entities owned by, and certain liabilities of, Archstone (the "Acquisition"). Pursuant to the Purchase Agreement and separate agreement between the Company and EQR, the Company's portion of consideration of the Acquisition is as follows: (i) 14,889,706 shares of the Company's common stock, (ii) \$669.0 million in cash from the Company, (iii) assumption of indebtedness with a principal amount of \$3.7 billion and a fair value of approximately \$3.9 billion, (iv) an obligation to pay, when presented for redemption, approximately \$132.2 million in respect of the liquidation value and accrued dividends on outstanding Archstone preferred units and (v) 40% of certain other Archstone liabilities. Through the Acquisition, the Company expects to acquire a full or partial ownership interest in a portfolio of properties (the "Archstone Portfolio"), consisting of 68 operating apartment communities, containing 22,167 apartment homes, seven development properties and three land holdings. The remaining assets and liabilities of Archstone that are not acquired or assumed directly or indirectly by either the Company or EQR will be acquired through one or more joint ventures to be formed between the Company and EQR. In addition, the Company anticipates incurring approximately \$241.8 million in transaction costs and costs associated with funding the Acquisition.

The Acquisition, including transaction and funding related costs, is expected to be funded through:

approximately \$1.8 billion of net proceeds from this offering;

the assumption, by the Company, of indebtedness with a fair value of approximately \$3.9 billion (as of September 30, 2012) of which the Company anticipates repaying \$953 million; and

the issuance, by the Company, of 14,889,706 shares of the Company's common stock, par value \$0.01 per share.

**2. Adjustments to unaudited Pro Forma Condensed Consolidated Balance Sheet**

(A)

Represents the historical condensed consolidated balance sheet of the Company as of September 30, 2012, as contained in the unaudited historical condensed consolidated financial statements and notes thereto filed on Form 10-Q.

Table of Contents

## AVALONBAY COMMUNITIES, INC.

## NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**2. Adjustments to unaudited Pro Forma Condensed Consolidated Balance Sheet (Continued)**

(B)

Represents adjustments related to the Acquisition, which is expected to close in the first quarter of 2013. The preliminary estimated fair value of assets to be received and consideration to be given is as follows (dollars in thousands, except per share data):

Preliminary estimated fair value of real estate assets	\$ 6,498,942
Preliminary estimated fair value of real estate assets held in unconsolidated joint ventures, at share	410,112
<b>Total preliminary estimated fair value of real estate assets</b>	<b>\$ 6,909,054</b>
Equity to be issued (14,889,706 shares at \$128.54 per share)(1)	\$ 1,913,923
Cash to be paid	669,000
Repayment of debt	952,997
Assumption of debt(2)	2,949,317
Assumption of unconsolidated joint venture debt, at share(2)	241,829
Assumption of Archstone preferred equity(3)	132,176
Assumption of other net liabilities	49,812
<b>Total consideration to be given</b>	<b>\$ 6,909,054</b>

(1)

Estimated issuance price per share is based on the closing price of the Company's common stock on the New York Stock Exchange ("NYSE") on November 23, 2012. Purchase price will be adjusted based on the share price of the Company's common stock at closing, consistent with the requirements of ASC 805, Business Combinations.

(2)

Includes mark-to-market adjustments to reflect fair value of \$194.0 million for consolidated debt and \$3.5 million for unconsolidated debt (at share).

(3)

Obligation related to Archstone preferred equity holders assumed through joint venture with EQR as discussed below.

The Company intends to account for the Acquisition under the acquisition method of accounting and recognize the estimated fair value of acquired assets and assumed liabilities on the date of acquisition. The fair values of these assets and liabilities have been preliminarily determined in accordance with Accounting Standards Codification ("ASC") section 820-10, *Fair Value Measurements*. A final determination of the fair values of the assets acquired and liabilities assumed in connection with the Acquisition, which cannot be made prior to the completion of the Acquisition, will be based on the actual valuation of the tangible and intangible assets and liabilities that exist as of the date of completion of the Acquisition.