ESSEX PROPERTY TRUST INC
Form 10-K
February 29, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2007
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM ___________ TO _____________
Commission file number 1-13106

Essex Property Trust, Inc.
(Exact name of Registrant as Specified in its Charter)

Maryland	77-0369576
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

925 East Meadow Drive
Palo Alto, California 94303
(Address of Principal Executive Offices including Zip Code)
(650) 494-3700
(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Name of each exchange on which registered
Common Stock, $.0001 par value	New York Stock Exchange

Rights to purchase Series A Junior Participating	New York Stock Exchange

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [X]	Accelerated filer [ ]	Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

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

As of June 30, 2007, the aggregate market value of the voting stock held by non-affiliates of the registrant was $2,892,312,848. The aggregate market value was computed with reference to the closing price on the New York Stock Exchange on such date. Shares of common stock held by executive officers, directors and holders of more than ten percent of the outstanding common stock have been excluded from this calculation because such persons may be deemed to be affiliates. This exclusion does not reflect a determination that such persons are affiliates for any other purposes.

As of February 25, 2008, 25,520,479 shares of Common Stock ($.0001 par value) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:
The following document is incorporated by reference in Part III of the Annual Report on Form 10-K: Proxy statement for the annual meeting of stockholders of Essex Property Trust, Inc. to be held May 6, 2008

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Essex Property Trust, Inc.

2007 ANNUAL REPORT ON FORM 10-K

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PART I

Forward Looking Statements

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements are described in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in the section, "Forward Looking Statements." Our actual results could differ materially from those set forth in each forward-looking statement. Certain factors that might cause such a difference are discussed in this report, including Item 1A, Risk Factors of this Form 10-K.

Item 1. Business

OVERVIEW

Essex Property Trust, Inc. ("Essex" or the "Company") is a Maryland corporation that operates as a self-administered and self-managed real estate investment trust ("REIT"). Essex owns all of its interest in its real properties directly or indirectly through Essex Portfolio, L.P. (the "Operating Partnership"). Essex is the sole general partner of the Operating Partnership and as of December 31, 2007 owns a 90.9% general partnership interest. In this report, the terms "we," "us" and "our" refer to Essex Property Trust, its Operating Partnership and the Operating Partnership's subsidiaries.

The Company has elected to be treated as a REIT for federal income tax purposes, commencing with the year ended December 31, 1994 as the Company completed an initial public offering on June 13, 1994. In order to maintain compliance with REIT tax rules, the Company utilizes taxable REIT subsidiaries for various revenue generating or investment activities. Each of the taxable REIT subsidiary entities are consolidated by the Company.

We are engaged primarily in the ownership, operation, management, acquisition, development and redevelopment of real estate. The majority of our real estate consists of apartment communities. As of December 31, 2007, we owned or held an interest in 134 apartment communities, aggregating 27,489 units, located predominantly along the West Coast (collectively, the "Properties", and individually, a "Property"). Our other properties included six office buildings (totaling approximately 478,040 square feet) two recreational vehicle parks (totaling 338 spaces), and one manufactured housing community (containing 157 sites). We currently have six development projects with 1,079 units in various stages of active development (together with the Properties, the "Portfolio").

The Company's website address is http://www.essexpropertytrust.com. The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports, and the Proxy Statement for its Annual Meeting of Stockholders are available, free of charge, on our website as soon as practicable after we file the reports with the Securities and Exchange Commission ("SEC").

BUSINESS OBJECTIVES AND STRATEGIES

The following is a discussion of our business objectives and strategies in regards to real estate investment and management. One or more of these criteria may be amended or rescinded from time to time without stockholder vote.

Business Objectives

Our primary business objectives are to increase shareholders' value by investing in properties located in supply constrained markets, and by improving operating results and the value of our Properties, while maintaining a strong balance sheet. We intend to achieve these objectives by:

- Maximizing property income by maintaining a high level of occupancy while increasing rental income;

- Expanding our Portfolio through acquisitions, development and, when appropriate, redevelopment of apartment communities in selected major metropolitan areas;
- Optimizing financial performance through a portfolio asset allocation program, and to increase or decrease investments in a market based on projected changes in regional economic and local market conditions; and
- Maintaining a strong balance sheet by identifying and utilizing capital resources that provide positive leverage (i.e. investment yield that exceeds capital cost).

We cannot assure our shareholders that we will achieve our business objectives.

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Business Strategies

Research Driven Approach – We believe that successful real estate investment decisions and portfolio growth begin with extensive regional economic research and local market knowledge. Utilizing a proprietary research model that we have developed over the last two decades, we continually assess markets where we currently operate, as well as markets where we consider future investment opportunities by evaluating:

- Markets in major metropolitan areas that have regional population primarily in excess of one million, thereby creating liquidity, which is an important element when modifying the geographic concentration of the Company's portfolio in response to changing market conditions;
- Constraints on new supply driven by: (i) low availability of developable land sites where competing housing could be built; (ii) political growth barriers, such as protected land, urban growth boundaries, and potential lengthy and expensive development permit processes; and (iii) natural limitations to development, such as mountains or waterways;
  - Rental demand is enhanced by affordability of rents compared to expensive for-sale housing; and
- Housing demand that is based on proximity to jobs, high quality of life and related commuting factors, as well as potential job growth.

Recognizing that all real estate markets are cyclical, we regularly evaluate the results of our regional economic, as well as, our local market research and adjust the geographic focus of our portfolio accordingly. We seek to increase our portfolio allocation in markets projected to have the strongest local economies and to decrease such allocations in markets projected to have declining economic conditions. Likewise, the Company also seeks to increase its portfolio allocation in markets that have attractive property valuations and to decrease such allocations in markets that have inflated valuations and low relative yields.

Property Operations – We manage our Properties by focusing on strategies that will generate above-average rental growth, tenant retention/satisfaction and long-term asset appreciation. We intend to achieve this by utilizing the strategies set forth below:

- Property Management – The Chief Operating Officer, Divisional Managers, Regional Portfolio Managers and Area Managers are accountable for the performance and maintenance of the Properties. They supervise, provide training for the on-site managers, manage budgeted expectations against performance, monitor market trends and prepare operating and capital budgets.
  - Capital Preservation – The Capital and Maintenance department is responsible for the planning, budgeting and completion of major deferred maintenance and capital improvement projects at our Properties.
- Business Planning and Control – Comprehensive business plans are implemented in conjunction with every investment decision. These plans include benchmarks for future financial performance, based on collaborative discussions between on-site managers and senior management.
- Development and Redevelopment – We focus on acquiring and developing apartment communities in supply constrained markets, and redeveloping our existing communities to improve the financial and physical aspects of our communities.

CURRENT BUSINESS ACTIVITIES

Acquisitions

Acquisitions have been a significant growth component of our business. During 2007, we completed a series of acquisitions that added to our overall Portfolio.

Southern California

- In March 2007, the Company acquired two adjacent apartment communities aggregating 108 units located in Santa Barbara, California for approximately $21.2 million. Lucero Village, built in 1973, consists of 70-units and The Continental, built in 1965, consists of 38-units.
- In April 2007, the Company acquired Cardiff by the Sea Apartments located in Cardiff, California for $72.0 million. The community, which is in Northern San Diego County, consists of 300-units and was built in 1986.
- In May 2007, the Company acquired Coldwater Canyon apartments for $8.3 million. Built in 1979, the property consists of 39-units located in Studio City, California.

Northern California

- In March 2007, the Company acquired Harvest Park apartments, built in 2004 with a condominium map for $22.5 million. This apartment community has 104-units and is located in Santa Rosa, California.

- In May 2007, the Company acquired Canyon Oaks apartments, located in San Ramon, California, for $64.3 million. Built in 2005 and consisting of 250-units, the property is within Windermere, a master planned community, and is the sister property to Mill Creek at Windermere, acquired in September 2007.

- In June 2007, the Company acquired Magnolia Lane, built in 2001, for $5.4 million. The property is a 32-unit community subject to a ground lease that expires in 64 years and is adjacent to Thomas Jefferson, another Essex community, purchased in September 2007.

  - In September 2007, the Company acquired Mill Creek at Windermere, a 400-unit community located in San Ramon, California, for $100.5 million. Built in 2005, the property is located within Windermere, a master planned community, and is the sister property to Canyon Oaks, acquired during the second quarter of 2007.

- The Company also acquired Thomas Jefferson Apartments in September 2007 for $28.0 million in a DownREIT transaction that included issuing 7,006 DownREIT units to a related party. The community, which was managed by Essex before the acquisition, is a 156-unit apartment complex located in Sunnyvale, California. Built in 1963, the property is located adjacent to Magnolia Lane, another Essex community, purchased in June 2007.

Seattle Metro

- In June 2007, the Company acquired The Cairns, a 100-unit property built in 2005 and located in the Lake Union area of Seattle, for $28.1 million.

Dispositions

As part of our strategic plan to own quality real estate in supply-constrained markets, we continually evaluate our Properties and sell those which no longer meet our strategic criteria. We may use the capital generated from the dispositions to invest in higher-return Properties, repurchase our common stock, or repay debts. We believe that the sale of these Properties will not have a material impact on our future results of operations or cash flows nor will their sale materially affect our ongoing operations. Generally, any impact of earnings dilution resulting from these dispositions will be offset by the positive impact of our acquisitions, development and redevelopment activities.

- In February 2007, the Company sold the joint venture property City Heights Apartments, a 687-unit community located in Los Angeles, California for $120.0 million. The Company's share of the proceeds from the sale totaled $33.9 million, resulting in a $13.7 million gain on sale to the Company, and an additional $10.3 million for fees from the joint venture partner, both of which are included in income from discontinued operations.

- The Company sold the 21 remaining condominium units at Peregrine Point during the first three quarters of 2007, resulting in a gain of $1.0 million net of taxes and expenses.

- In December 2007, the Company sold four communities (875-units) in the Portland metropolitan area for $97.5 million, resulting in a gain of $47.6 million net of minority interest. The proceeds from the sale were used in a tax-free reverse exchange for the purchase of Mill Creek at Windermere in September 2007.

  - In January 2008, the Company collected $7.5 million and recognized income of $6.3 million from the sale of its preferred interest in Waterstone at Fremont Apartments, located in Fremont, California.

Development Pipeline

The Company defines development activities as new properties that are being constructed, or are newly constructed and, in the case of development communities, are in a phase of lease-up and have not yet reached stabilized operations. As of December 31, 2007, excluding development projects owned by Essex Apartment Value Fund II, L.P. ("Fund II"), the Company had three development projects comprised of 684 units for an estimated cost of $236.7 million, of which $125.8 million remains to be expended.

The Company defines the predevelopment pipeline as new properties in negotiation or in the entitlement process with a high likelihood of becoming development activities. As of December 31, 2007, the Company had five development communities aggregating 1,658 units that were classified as predevelopment projects. The estimated total cost of the predevelopment pipeline at December 31, 2007 was $508.4 million, of which $411.3 million remains to be expended. The Company may also acquire land for future development purposes. The Company owned five land parcels held for future development aggregating 434 units as of December 31, 2007. The Company had incurred $25.5 million in costs related to these five land parcels as of December 31, 2007.

The following table sets forth information regarding the Company's consolidated development pipeline:

			As of 12/31/07 ($ in millions)			
Development Pipeline	Location	Units		Estimated Project Cost(1)		Incurred Project Cost	Projected Stabilization
Development Projects							
Belmont Station	Los Angeles, CA	275	$	71.1	$	55.5	Dec-08
The Grand	Oakland, CA	238		96.2		42.0	May-09
Fourth Street	Berkeley, CA	171		69.4		13.4	Aug-10
		684		236.7		110.9	
Predevelopment projects	various	1,658		508.4		97.1	Nov-10 to Jul-14
Land held for future development	various	434		25.5		25.5	-
Consolidated Development Pipeline		2,776	$	770.6	$	233.5	

(1) Includes incurred costs and estimated costs to complete these development projects.

Redevelopment Pipeline

The Company defines redevelopment communities as existing properties owned or recently acquired, which have been targeted for additional investment by the Company with the expectation of increased financial returns through property improvement. During redevelopment, apartment units may not be available for rent and, as a result, may have less than stabilized operations. As of December 31, 2007, the Company had ownership interests in thirteen major redevelopment communities aggregating 3,891 apartment units with estimated redevelopment costs of $135.6 million, of which approximately $74.6 million remains to be expended. These amounts exclude redevelopment projects owned by Fund II. The following table illustrates these consolidated redevelopment projects:

			As of 12/31/07 ($ in thousands)			
Redevelopment Pipeline	Location	Units		Estimated Renovation Cost(1)		Incurred Project Cost
Southern California						
Avondale at Warner Center	Woodland Hills, CA	446	$	14,070	$	11,188
Highridge	Rancho Palos Verde, CA	255		16,063		1,976
Mira Monte	Mira Mesa, CA	355		6,060		5,900
Pathways	Long Beach, CA	296		10,721		5,788
Northern California						
Boulevard (Treetops)	Fremont, CA	172		8,387		5,757
Bridgeport (Summerhill Commons)	Newark, CA	184		4,586		3,869
Marina Cove	Santa Clara, CA	292		9,858		805

Montclaire (Oak Pointe) - Phase I-III	Sunnyvale, CA	390		15,106		5,688
Wimbledon Woods	Hayward, CA	560		9,350		7,195
Seattle Metro						
Palisades - Phase I and II	Bellevue, WA	192		6,951		6,461
Sammamish View(2)	Bellevue, WA	153		3,875		3,875
Woodland Commons	Bellevue, WA	236		11,779		1,240
Foothill Commons	Bellevue, WA	360		18,804		1,298
Total Redevelopment		3,891	$	135,610	$	61,040

Pipeline

(1) Includes incurred costs and estimated costs to complete these redevelopment projects.

(2) The redevelopment at this community was completed in the fourth quarter of 2007, and will be added back to Same-Property operations (as defined in Item 7) during the fourth quarter of 2008.

Debt Transactions

In March 2007, the Company obtained a mortgage loan secured by the Camino Ruiz Square community purchased in December 2006 in the amount of $21.1 million, with a fixed interest rate of 5.36%, which matures on April 1, 2017.

In April 2007, the Company refinanced a mortgage loan for $35.7 million secured by the Tierra Vista community in the amount of $62.5 million, with a fixed interest rate of 5.47%, which matures in April 2017.

In June 2007, the Company obtained a mortgage loan secured by the Cardiff by the Sea community purchased in April 2007 in the amount of $42.2 million. The loan has a fixed interest rate of 5.71% and matures in June 2017. The Company assumed a mortgage loan in conjunction with the acquisition of The Cairns community in the amount of $12.0 million, with a fixed interest rate of 5.5%, which matures in May 2014. Finally, the Company refinanced $18.6 million of debt secured by the Highridge community with a $44.8 million fixed interest rate loan of 6.05%, which matures in June 2017.

In July 2007, the Company paid-off a mortgage loan secured by Monterra del Sol for $2.6 million with a fixed interest rate of 7.56%.

In August 2007, the Company obtained a mortgage loan secured by the Coldwater Canyon community purchased in May 2007 in the amount of $5.9 million, with a fixed interest rate of 6.1%, which matures in August 2017. The Company also refinanced an $11.6 million mortgage loan secured by the Capri at Sunny Hills community with a new loan in the amount of $19.2 million, with a fixed interest rate of 5.8%, which matures in August 2012.

In September 2007, the Company assumed two loans in conjunction with the acquisition of the Thomas Jefferson community. The first loan is for $14 million with a fixed interest rate of 5.7% due in March 2017, and the second loan is for $6.0 million with a fixed interest rate of 5.9% due in March 2017.

In December 2007, the Company and a joint venture partner obtained a construction loan in the amount of $17.5 million secured by the Main Street predevelopment project in Walnut Creek, California. The loan is variable based on LIBOR plus 125 basis points and matures in December 2009. The initial funding on this loan was approximately $12.1 million, and the remainder of the loan will be used for predevelopment costs.

In January 2008, the Company obtained a mortgage loan in the amount of $49.9 million secured by Mirabella, a community located in Marina Del Rey, California. The loan has a fixed interest rate of 5.21%, which matures in January 2018.

Structured Finance

In March 2007, the Company originated a $6.9 million mezzanine loan receivable for the acquisition and capital improvement of California Hill, a 153-unit, age-restricted apartment community located in Concord, California.   The floating rate note receivable is based on LIBOR with a 5% floor for the LIBOR rate plus 4.75%. The note receivable is due in March 2011.

In September 2007, the Company originated a $14.0 million bridge loan for the completion and lease-up of Valley View, a 146-unit apartment community located in Vancouver, Washington. The loan refinanced a construction loan, incorporating additional proceeds for interior upgrades to the remaining phases; exterior and common area upgrades and interest reserves to take the project through lease-up and stabilization. The floating rate note receivable is based on LIBOR with a 5% floor for the LIBOR rate plus 3.38%. The note receivable is due in February 2009.

In October 2007, the Company originated a $14.0 million bridge loan secured by 301 Ocean Avenue a 47-unit apartment community located in Santa Monica, California and the interest payments are guaranteed by the owner of the asset. The floating rate note receivable is based on LIBOR with a 5% floor for the LIBOR rate plus 2.95%. The note receivable is due in April 2009.

Derivative Transactions

In March 2007, the Company entered into a ten-year forward-starting interest rate swap for a notional amount of $50 million and a settlement date on or before October 1, 2011, to manage interest rate exposure on identified future debt obligations.

In April 2007, in conjunction with the refinance of the Tierra Vista mortgage loan, the Company settled a $50 million forward-starting swap and received $1.3 million from the counterparty. The accounting for the swap settlement reduces the effective interest rate on the new Tierra Vista mortgage loan to 5.19%.

As of December 31, 2007 the Company had entered into nine forward-starting interest rate swaps totaling a notional amount of $450 million with interest rates ranging from 4.9% to 5.9% and settlements dates ranging from April 2008 to October 2011. These derivatives qualify for hedge accounting as they are expected to economically hedge the cash flows associated with the refinancing of debt that matures between April 2008 and October 2011. The fair value of the derivatives decreased $8.0 million during the year ended December 31, 2007 to a liability value of $10.2 million as of December 31, 2007, and the derivative liability was recorded in other liabilities in the Company's consolidated financial statements. The changes in the fair values of the derivatives are reflected in accumulated other comprehensive (loss) income in the Company's consolidated financial statements. No hedge ineffectiveness on cash flow hedges was recognized during the year ended December 31, 2007 and 2006.

Equity Transactions

During the second quarter of 2007, the Company issued and sold 1,670,500 shares of its common stock for $213.7 million at an average stock price of $127.91 per share, net of underwriter fees and expenses.

In August 2007, the Company's Board of Directors authorized a stock repurchase plan to allow the Company to acquire shares in an aggregate of up to $200 million. The program supersedes the common stock repurchase plan that Essex announced on May 16, 2001. During 2007, the Company repurchased and retired 323,259 shares of its common stock for approximately $32.6 million, net of fees and commissions. During January 2008, the Company repurchased an additional 137,500 shares for $13.2 million, net of fees and commissions. The Company has repurchased 460,759 shares for $45.8 million at an average stock price of $99.30 per share since the stock repurchase plan was approved in August.

ESSEX APARTMENT VALUE FUNDS

Essex Apartment Value Fund, L.P. ("Fund I" and "Fund II"), are investment funds formed by the Company to add value through rental growth and asset appreciation, utilizing the Company's development, redevelopment and asset management capabilities. The assets in Fund I were sold during 2004 and 2005, and Fund I was liquidated in 2007.

Fund II has eight institutional investors, and the Company, with combined partner equity commitments of $265.9 million. Essex has committed $75.0 million to Fund II, which represents a 28.2% interest as general partner and limited partner. Fund II utilitized debt as leverage of approximately 65% of the estimated value of the underlying real estate. Fund II invested in apartment communities in the Company's targeted West Coast markets and, as of December 31, 2007, owned eleven apartment communities and three development projects. There was no acquisition or disposition activity in Fund II in the year ended December 31, 2007. Essex records revenue for its asset management, property management, development and redevelopment services when earned, and promote income when realized if Fund II exceeds certain financial return benchmarks.

Fund II - Development and Redevelopment Pipeline

As of December 31, 2007, the following table sets forth information regarding Fund II's development and redevelopment pipelines:

			As of 12/31/07 ($ in millions)		
Development Pipeline - Fund II	Location	Units	Estimated Project Cost(1)	Incurred Project Cost	Projected Stabilization

Development Projects								
Eastlake 2851 on Lake Union	Seattle, WA	127	$	35.4	$	24.7	Jul-08
Studio 40-41	Studio City, CA	149		60.6		30.7	Aug-09
Cielo	Chatsworth, CA	119		39.4		12.3	Sep-09
Fund II - Development Pipeline		395	$	135.4	$	67.7	
Redevelopment Pipeline - Fund II							
Redevelopment Projects							
Regency Tower - Phase I - II	Oakland, CA	178	$	4.5	$	3.7	
The Renaissance	Los Angeles, CA	168		5.0		3.6	
Fund II - Redevelopment Pipeline		346	$	9.5	$	7.3	

(1) Includes incurred costs and estimated costs to complete these development and redevelopment projects.

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OFFICES AND EMPLOYEES

The Company is headquartered in Palo Alto, California, and has regional offices in Woodland Hills, California; Irvine, California; San Diego, California and Bellevue, Washington. As of December 31, 2007, the Company had approximately 917 employees.

INSURANCE

The Company carries comprehensive liability, fire, extended coverage and rental loss insurance for each of the Properties with a $5.0 million deductible per incident. There are, however, certain types of extraordinary losses, such as, for example, losses from terrorism or earthquake, for which the Company does not have insurance coverage.

Substantially all of the Properties are located in areas that are subject to earthquake activity. The Company believes it has a proactive approach to its potential earthquake losses. The Company utilizes third-party seismic consultants for its acquisitions and performs seismic upgrades to those acquisitions that are determined to have a higher level of potential loss from an earthquake. The Company utilizes internal and third-party loss models to help to determine its exposure. The majority of the Company's Properties are lower density garden-style apartments which may be less susceptible to earthquake damage. The Company will continue to monitor third-party earthquake insurance pricing and conditions and may consider obtaining third-party coverage if it deems it cost effective.

Although the Company may carry insurance for potential losses associated with its Properties, employees, residents, and compliance with applicable laws, it may still incur losses due to uninsured risks, deductibles, co-payments or losses in excess of applicable insurance coverage and those losses may be material.

COMPETITION

There are numerous housing alternatives that compete with our apartment communities in attracting residents. These include other apartment communities and single-family homes that are available for rent in the markets in which the properties are located. The Properties also compete for residents with new and existing homes and condominiums that are for sale. If the demand for our Properties is reduced or if competitors develop and/or acquire competing properties on a more cost-effective basis, rental rates and occupancy may drop, which may have a material adverse affect on our financial condition and results of operations.

We face competition from other real estate investment trusts, businesses and other entities in the acquisition, development and operation of properties. Some of the competitors are larger and have greater financial resources than we do. This competition may result in increased costs of properties we acquire and/or develop.

WORKING CAPITAL

We believe that cash flows generated by our operations, existing cash balances, availability under existing lines of credit, access to capital markets and the ability to generate cash gains from the disposition of real estate are sufficient to meet all of our reasonably anticipated cash needs during 2008. The timing, source and amounts of cash flows provided by financing activities and used in investing activities are sensitive to changes in interest rates and other fluctuations in the capital markets environment, which can affect our plans for acquisitions, dispositions, development and redevelopment activities.

ENVIRONMENTAL CONSIDERATIONS

See the discussion under the caption, "Possible environmental liabilities" in Item 1A, Risk Factors, for information concerning the potential effect of environmental regulations on our operations.

OTHER MATTERS

Certain Policies of the Company

We intend to continue to operate in a manner that will not subject us to regulation under the Investment Company Act of 1940. The Company has in the past five years and may in the future (i) issue securities senior to its common stock, (ii) fund acquisition activities with borrowings under its line of credit and (iii) offer shares of common stock and/or units of limited partnership interest in the Operating Partnership or affiliated partnerships as partial consideration for property acquisitions. The Company from time to time acquires partnership interests in partnerships and joint ventures, either directly or indirectly through subsidiaries of the Company, when such entities' underlying assets are real estate. In general, the Company does not (i) underwrite securities of other issuers or (ii) actively trade in loans or other investments.

We invest primarily in apartment communities that are located in predominantly coastal markets within Southern California, the San Francisco Bay Area, and the Seattle metropolitan area. The Company currently intends to continue to invest in apartment communities in such regions. However, these practices may be reviewed and modified periodically by management.

Item 1A. Risk Factors

Our business, operating results, cash flows and financial conditions are subject to various risks and uncertainties, including, without limitation, those set forth below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results.

We depend on our key personnel - Our success depends on our ability to attract and retain executive officers, senior officers and company managers. There is substantial competition for qualified personnel in the real estate industry and the loss of several of our key personnel could have an adverse effect on us.

Debt financing – At December 31, 2007, we had approximately $1.66 billion of indebtedness (including $233.1 million of variable rate indebtedness, of which $152.7 million is subject to interest rate protection agreements). We are subject to the risks normally associated with debt financing, including the following:

- cash flow may not be sufficient to meet required payments of principal and interest;
- inability to refinance maturing indebtedness on encumbered properties;
- the terms of any refinancing may not be as favorable as the terms of existing indebtedness;
- inability to comply with debt covenants could cause an acceleration of the maturity date; and
- repaying debt before the scheduled maturity date could result in prepayment penalties.

Uncertainty of our ability to refinance balloon payments - As of December 31, 2007, we had approximately $1.66 billion of mortgage debt, exchangeable bonds and line of credit borrowings, most of which are subject to balloon payments (see Notes 8 and 9 to the Company's consolidated financial statements for more details). We do not expect to have sufficient cash flows from operations to make all of these balloon payments. These mortgages, bonds and lines of credit borrowings have the following scheduled principal and balloon payments:

2008--$125.2 million;
2009--$185.7 million;
2010--$154.8 million;
2011--$166.5 million;
2012--$32.2 million;
Thereafter--$993.3 million.

We may not be able to refinance such mortgage indebtedness, bonds, or lines of credit. The Properties subject to these mortgages could be foreclosed upon or otherwise transferred to the lender. This could cause us to lose income and asset value. We may be required to refinance the debt at higher interest rates or on terms that may not be as favorable as the terms of existing indebtedness.

The Company's current financing activities have not been severely impacted by the tightening in the credit markets. Our strong balance sheet, the established relationships with our unsecured line of credit bank group and access to Fannie Mae and Freddie Mac secured debt financing have insulated us from the turmoil being experienced by many other real estate companies. Recently, we have experienced some expansion in credit spreads as Fannie Mae and Freddie Mac's tier 4 financing are currently at approximately 200 basis points over the relevant U.S. treasury securities.

Debt financing on Properties may result in insufficient cash flow - Where possible, we intend to continue to use leverage to increase the rate of return on our investments and to provide for additional investments that we could not otherwise make. There is a risk that the cash flow from the Properties will be insufficient to meet both debt payment obligations and the distribution requirements of the real estate investment trust provisions of the Internal Revenue Code. We may obtain additional debt financing in the future through mortgages on some or all of the Properties. These mortgages may be recourse, non-recourse, or cross-collateralized.

As of December 31, 2007, the Company had 74 of its 123 consolidated apartment communities encumbered by debt. Of the 74 communities, 51 are secured by deeds of trust relating solely to those properties. With respect to the remaining 23 communities, there are 5 cross-collateralized mortgages secured by 8 communities, 7 communities, 3 communities, 3 communities, and 2 communities, respectively. The holders of this indebtedness will have claims against these communities and, to the extent indebtedness is cross-collateralized, lenders may seek to foreclose upon communities which are not the primary collateral for their loan. This may accelerate other indebtedness secured by communities. Foreclosure of communities would reduce our income and net asset value.

Risk of rising interest rates - Current interest rates could potentially increase rapidly, which could result in higher interest expense on our variable rate indebtedness. Prolonged interest rate increases could negatively impact our ability to make acquisitions and develop properties at economic returns on investment and our ability to refinance existing borrowings at acceptable rates.

As of December 31, 2007, we had approximately $220.9 million of long-term variable rate indebtedness bearing interest at floating rates tied to the rate of short-term tax-exempt revenue bonds (which mature at various dates from 2020 through 2034), $12.2 million of short-term variable rate indebtedness bearing interest at LIBOR plus 1.25% related to a predevelopment project due in 2009, and $169.8 million of variable rate indebtedness under our lines of credit. Of the $169.8 million of variable rate indebtedness under our lines of credit, $100.0 million is bearing interest at the Freddie Mac Reference Rate plus from 0.55% to 0.59%, $61.0 million is bearing interest at the underlying interest rate based on a tiered rate structure tied to the Company's corporate ratings and is currently at LIBOR plus 0.80%, and $8.8 million is bearing interest at the underlying interest rate based on the bank's Prime Rate less 2.0%. Approximately $152.7 million of the long-term indebtedness is subject to interest rate cap protection agreements, which may reduce the risks associated with fluctuations in interest rates. The remaining $68.2 million of long-term variable rate indebtedness was not subject to any interest rate cap protection agreements as of December 31, 2007. An increase in interest rates may have an adverse effect on our net income and results of operations.

Risk of losses on interest rate hedging arrangements – Periodically, we have entered into agreements to reduce the risks associated with increases in interest rates, and may continue to do so. Although these agreements may partially protect against rising interest rates, they also may reduce the benefits to us if interest rates decline. If a hedging arrangement is not indexed to the same rate as the indebtedness that is hedged, we may be exposed to losses to the extent that the rate governing the indebtedness and the rate governing the hedging arrangement change independently of each other. Finally, nonperformance by the other party to the hedging arrangement may subject us to increased credit risks. In order to minimize counterparty credit risk, our policy is to enter into hedging arrangements only with A-rated financial institutions.

Bond compliance requirements may limit income from certain properties - At December 31, 2007, we had approximately $220.9 million of variable rate tax-exempt financing relating to the following apartment communities: Inglenook Court, Wandering Creek, Boulevard (Treetops), Huntington Breakers, Camarillo Oaks, Fountain Park, Anchor Village and Hidden Valley (Parker Ranch). This tax-exempt financing subjects these properties to certain deed restrictions and restrictive covenants. We expect to engage in tax-exempt financings in the future. In addition, the Internal Revenue Code and rules and regulations thereunder impose various restrictions, conditions and requirements excluding interest on qualified bond obligations from gross income for federal income tax purposes. The Internal Revenue Code also requires that at least 20% of apartment units be made available to residents with gross incomes that do not exceed a specified percentage, generally 50%, of the median income for the applicable family size as determined by the Housing and Urban Development Department of the federal government. In addition to federal requirements, certain state and local authorities may impose additional rental restrictions. These restrictions may limit income from the tax-exempt financed properties if we are required to lower rental rates to attract residents who satisfy the median income test. If the Company does not reserve the required number of apartment homes for residents satisfying these income requirements, the tax-exempt status of the bonds may be terminated, the obligations under the bond documents may be accelerated and we may be subject to additional contractual liability.

Adverse effect to property income and value due to general real estate investment risks - Real property investments are subject to a variety of risks. The yields available from equity investments in real estate depend on the amount of income generated and expenses incurred. If the properties do not generate sufficient income to meet operating expenses, including debt service and capital expenditures, cash flow and the ability to make distributions to stockholders will be adversely affected.

Income from the Properties may be further adversely affected by, among other things, the following factors:

- the general economic climate;
- local economic conditions in which the Properties are located, such as oversupply of housing or a reduction in demand for rental housing;
- the attractiveness of the properties to tenants;
- competition from other available space; and
- the Company's ability to provide for adequate maintenance and insurance.

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As leases on the Properties expire, tenants may enter into new leases on terms that are less favorable to us. Income and real estate values also may be adversely affected by such factors as applicable laws (e.g., the Americans with Disabilities Act of 1990 and tax laws), interest rate levels and the availability and terms of financing. Real estate investments are relatively illiquid and, therefore, our ability to vary our portfolio promptly in response to changes in economic or other conditions may be quite limited.

Economic environment and impact on operating results - The national economy and the economies of the western states in markets where we operate can impact our operating results. Some of these markets are concentrated in high-tech sectors, which have experienced economic downturns, and could again in the future. Our property type and diverse geographic locations provide some degree of risk mitigation. However, we are not immune to prolonged economic downturns. Although we believe we are well positioned to meet these challenges, it is possible a reduction in rental rates, occupancy levels, property valuations and increases in operating costs such as advertising, turnover and repair and maintenance expense could occur in the event of economic uncertainty.

Due to the Company's concentration in supply restricted markets, the Company has not experienced any material adverse impact from increases in supply of unsold single family residences.

Risk of Inflation/Deflation - Substantial inflationary or deflationary pressures could have a negative effect on rental rates and property operating expenses.

Risks that acquisitions will fail to meet expectations - We intend to continue to acquire apartment communities. However, there are risks that acquisitions will fail to meet our expectations. Our estimates of future income, expenses and the costs of improvements or redevelopment that are necessary to allow us to market an acquired property as originally intended may prove to be inaccurate. We expect to finance future acquisitions, in whole or in part, under various forms of secured or unsecured financing or through the issuance of partnership units by the Operating Partnership or related partnerships or additional equity by the Company. The use of equity financing, rather than debt, for future developments or acquisitions could dilute the interest of the Company's existing stockholders. If we finance new acquisitions under existing lines of credit, there is a risk that, unless we obtain substitute financing, the Company may not be able to secure further lines of credit for new development or such lines of credit may be not available on advantageous terms.

Risks that development and redevelopment activities will be delayed, not completed, and/or not achieve expected results - We pursue apartment community development and redevelopment projects and these projects generally require various governmental and other approvals, which have no assurance of being received. Our development and redevelopment activities generally entail certain risks, including the following:

- funds may be expended and management's time devoted to projects that may not be completed;
- construction costs of a project may exceed original estimates possibly making the project economically unfeasible;
- projects may be delayed due to, without limitation, adverse weather conditions, entitlement and government regulations, labor shortages, or unforeseen complications;
- occupancy rates and rents at a completed project may be less than anticipated; and
- expenses at projects may be higher than anticipated.

These risks may reduce the funds available for distribution to the Company's stockholders. Further, the development of properties is also subject to the general risks associated with real estate investments. For further information regarding these risks, please see "Adverse Effect to Property Income and Value Due to General Real Estate Investment Risks."

The geographic concentration of the Company's Properties and fluctuations in local markets may adversely impact our financial condition and operating results – The Company generated significant amounts of rental revenues for the year ended December 31, 2007, from properties concentrated in Southern California (Los Angeles, Orange, Santa Barbara, San Diego, and Ventura counties), Northern California (the San Francisco Bay Area), and the Seattle metropolitan area. As of December 31, 2007, 81% of the Company's property revenues were generated from Properties located in California. This geographic concentration could present risks if local property market performance falls below expectations. The economic condition of these markets could affect occupancy, market rental rates, and expenses, as well as impact the income generated from the Properties and their underlying asset values.

The financial results of major local employers also may impact the cash flow and value of certain of the Properties. This could have a negative impact on our financial condition and operating results, which could affect our ability to pay expected dividends to our stockholders.

Competition in the apartment community market may adversely affect operations and the rental demand for our Properties - There are numerous housing alternatives that compete with our apartment communities in attracting residents. These include other apartment communities and single-family homes that are available for rent in the markets in which the Properties are located. The Properties also compete for residents with new and existing homes and condominiums that are for sale. If the demand for our Properties is reduced or if competitors develop and/or acquire competing properties on a more cost-effective basis, rental rates may drop, which may have a material adverse affect on our financial condition and results of operations.

We also face competition from other real estate investment trusts, businesses and other entities in the acquisition, development and operation of apartment communities. Some of the competitors are larger and have greater financial resources than we do. This competition may result in an increase in costs and prices of apartment communities that we acquire and/or develop.

Dividend requirements as a result of preferred stock may lead to a possible inability to sustain dividends - We have Series F Cumulative Redeemable Preferred Stock (“Series F Preferred Stock”) with an aggregate liquidation preference of approximately $25 million outstanding and Series G Cumulative Convertible Preferred Stock (“Series G Preferred Stock”) with an aggregate liquidation preference of approximately $149.5 million outstanding. In addition, we are required under limited conditions to issue Series B Cumulative Redeemable Preferred Stock (“Series B Preferred Stock”) with an aggregate liquidation preference of $80 million and Series D Cumulative Redeemable Preferred Stock (“Series D Preferred Stock”) with an aggregate liquidation preference of $50 million in each case in exchange for outstanding preferred interests in the Operating Partnership. The terms of the Series B, D, F and G Preferred Stock provide for certain cumulative preferential cash distributions per each share of preferred stock.

These terms also provide that while such preferred stock is outstanding, we cannot authorize, declare, or pay any distributions on our common stock, unless all distributions accumulated on all shares of such preferred stock have been paid in full. Our failure to pay distributions on such preferred stock would impair our ability to pay dividends on our common stock. Our credit agreement limits our ability to pay dividends on our preferred stock if we fail to satisfy a fixed charge coverage ratio.

If the Company wishes to issue any common stock in the future (including upon the exercise of stock options), the funds required to continue to pay cash dividends at current levels will be increased. The Company’s ability to pay dividends will depend largely upon the performance of our current properties and other properties that may be acquired or developed in the future.

If the Company cannot pay dividends on its common stock, the Company’s status as a real estate investment trust may be jeopardized. Our ability to pay dividends on our common stock is further limited by the Maryland General Corporation Law. Under the Maryland General Corporation Law, the Company may not make a distribution on stock if, after giving effect to such distribution, either:

- we would not be able to pay our indebtedness as it becomes due in the usual course of business; or
- our total assets would be less than our total liabilities, including the liquidation preference on our Series B, Series D, Series F, and Series G preferred stock.

Resale of shares pursuant to our effective registration statement or that are issued upon conversion of our convertible preferred stock may have an adverse effect on the market price of the shares – The Company has the following effective registration statements, which allows for the resale into the public stock of common stock held by stockholders, as specified in the registration statements:

- A registration statement, declared effective in 2003, which covers the resale of certain shares, including (i) up to 2,270,490 shares of common stock that are issuable upon exchange of limited partnership interests in the Operating Partnership and (ii) up to 1,473,125 shares that are issuable upon exchange of limited partnership interests in certain other real estate partnerships;
- Registration statements, declared effective in 2006, that cover (i) the resale of up to 142,076 shares issuable in connection with our Waterford and Vista Belvedere acquisitions and (ii) the resale of shares issuable in connection with the exchange rights of our 3.625% Exchangeable Senior Notes, as to which there is a principal amount of $225 million outstanding.

During the third quarter of 2006, we issued, pursuant to a registration statement, 5,980,000 shares of 4.875% Series G Cumulative Preferred Stock for estimated gross proceeds of $149.5 million; such shares are convertible, subject to certain conditions, into common stock, which could be resold into the public market.

The resale of the shares of common stock pursuant to these various registration statements or that are issued upon conversion of our outstanding convertible preferred stock may have an adverse effect on the market price of our shares.

The exchange and repurchase rights of Exchangeable Senior Notes and Series G Preferred Stock may be detrimental to holders of common stock - The Operating Partnership has $225 million principal amount of 3.625% Exchangeable Senior Notes (the "Notes") outstanding which mature on November 1, 2025. The Notes are exchangeable into the Company's common stock on or after November 1, 2020 or prior to November 1, 2020 under certain circumstances. The Notes are redeemable at the Company's option for cash at any time on or after November 4, 2010 and are subject to repurchase for cash at the option of the holder on November 1st in the years 2010, 2015 and 2020, or upon the occurrence of certain events. The Notes are senior unsecured and unsubordinated obligations of the Company.

In 2006, the Company sold 5,980,000 shares of 4.875% Series G Cumulative Convertible Preferred Stock (the "Series G Preferred Stock") for gross proceeds of $149.5 million. Holders may convert Series G Preferred Stock into shares of the Company's common stock subject to certain conditions. The conversion rate will initially be .1830 shares of common stock per $25 share liquidation preference, which is equivalent to an initial conversion price of $136.62 per share of common stock (the conversion rate will be subject to adjustment upon the occurrence of specified events). On or after July 31, 2011, the Company may, under certain circumstances cause some or all of the Series G Preferred Stock to be converted into shares of common stock at the then prevailing conversion rate. Further, if a fundamental change occurs, as defined in the articles supplementary for the Series G Preferred Stock, then the holders may require the Company to repurchase all or part of their Series G Preferred Stock subject to certain conditions.

The exchange of the Notes and/or Series G Preferred Stock for common stock would dilute stockholder ownership in the Company, and such exchange could adversely affect the market price of our common stock and our ability to raise capital through the sale of additional equity securities. If the Notes and Series G Preferred Stock are not exchanged, the repurchase price of the Notes and Series G Preferred Stock may discourage or impede transactions that might otherwise be in the interest of the holders of common stock. Further, these repurchase rights may be triggered in situations where the Company needs to conserve its cash reserves, in which event such repurchase might adversely affect the Company and its common stockholders.

Our future issuances of common stock, preferred stock or convertible debt securities could adversely affect the market price of our common stock - In order to finance our property acquisition and development activities, we have issued and sold common stock, preferred stock and convertible debt securities. For example, during 2007, the Company sold 1,500,000 shares of its common stock in a public offering for proceeds of $191.8 million, net of underwriter fees and expenses. During 2007 and 2006, pursuant to a Controlled Equity Offering program that the Company entered into with Cantor Fitzgerald & Co., the Company issued and sold approximately 170,500 and 427,700 shares of common stock for $21.9 million and $48.3 million, net of fees and commissions, respectively. The Company may in the future sell further shares of common stock pursuant to a Controlled Equity Offering program with Cantor Fitzgerald &Co.

In 2006, the Company issued 5,980,000 shares of 4.875% Series G Cumulative Convertible Preferred Stock for gross proceeds of approximately $149.5 million. In 2005, the Operating Partnership sold $225 million principal amount of 3.625% Exchangeable Senior Notes, which are exchangeable into the Company's common stock under certain conditions.

During the first quarter of 2007, the Company filed a new shelf registration statement with the SEC, allowing the Company to sell an undetermined number of equity and debt securities as defined in the prospectus. Future sales of common stock, preferred stock or convertible debt securities may dilute stockholder ownership in the Company and could adversely affect the market price of the common stock.

Our Chairman is involved in other real estate activities and investments, which may lead to conflicts of interest - Our Chairman, George M. Marcus is not an employee of the Company, and is involved in other real estate activities and investments, which may lead to conflicts of interest. Mr. Marcus owns interests in various other real estate-related businesses and investments. He is the Chairman of The Marcus & Millichap Company, or ("TMMC"), which is a holding company for certain real estate brokerage and services companies. TMMC has an interest in Pacific

Property Company, a company that invests in apartment communities.

Mr. Marcus has agreed not to divulge any information that may be received by him in his capacity as Chairman of the Company to any of his affiliated companies and that he will abstain his vote on any and all resolutions by the Company Board of Directors regarding any proposed acquisition and/or development of an apartment community where it appears that there may be a conflict of interest with any of his affiliated companies. Notwithstanding this agreement, Mr. Marcus and his affiliated entities may potentially compete with us in acquiring and/or developing apartment communities, which competition may be detrimental to us. In addition, due to such potential competition for real estate investments, Mr. Marcus and his affiliated entities may have a conflict of interest with us, which may be detrimental to the interests of the Company's stockholders.

The influence of executive officers, directors and significant stockholders may be detrimental to holders of common stock - As of December 31, 2007, George M. Marcus, the Chairman of our Board of Directors, wholly or partially owned 1,768,773 shares of common stock (including shares issuable upon exchange of limited partnership interests in the Operating Partnership and certain other partnerships and assuming exercise of all vested options). This represents approximately 7.1% of the outstanding shares of our common stock. Mr. Marcus currently does not have majority control over us. However, he currently has, and likely will continue to have, significant influence with respect to the election of directors and approval or disapproval of significant corporate actions. Consequently, his influence could result in decisions that do not reflect the interests of all our stockholders.

Under the partnership agreement of the Operating Partnership, the consent of the holders of limited partnership interests is generally required for any amendment of the agreement and for certain extraordinary actions. Through their ownership of limited partnership interests and their positions with us, our directors and executive officers, including Mr. Marcus, have substantial influence on us. Consequently, their influence could result in decisions that do not reflect the interests of all stockholders.

The voting rights of preferred stock may allow holders of preferred stock to impede actions that otherwise benefit holders of common stock - In general, the holders of our outstanding shares of preferred stock do not have any voting rights. However, if full distributions are not made on any outstanding preferred stock for six quarterly distributions periods, the holders of preferred stock who have not received distributions, voting together as a single class, will have the right to elect two additional directors to serve on our Board of Directors.

These voting rights continue until all distributions in arrears and distributions for the current quarterly period on the preferred stock have been paid in full. At that time, the holders of the preferred stock are divested of these voting rights, and the term and office of the directors so elected immediately terminates. While any shares of our preferred stock are outstanding, the Company may not, without the consent of the holders of two-thirds of the outstanding shares of each series of preferred stock, each voting separately as a single class:

- authorize or create any class or series of stock that ranks senior to such preferred stock with respect to the payment of dividends, rights upon liquidation, dissolution or winding-up of our business;
    - amend, alter or repeal the provisions of the Company's Charter or Bylaws, including by merger or consolidation, that would materially and adversely affect the rights of such series of preferred stock; or
- in the case of the preferred stock into which our preferred units are exchangeable, merge or consolidate with another entity or transfer substantially all of its assets to another entity, except if such preferred stock remains outstanding with the surviving entity and has the same terms and in certain other circumstances.

These voting rights of the preferred stock may allow holders of preferred stock to impede or veto actions that would otherwise benefit the holders of our common stock.

The redemption rights of the Series B preferred units, Series D preferred units, Series F preferred stock and Series G preferred stock may be detrimental to holders of the Company's common stock - Upon the occurrence of one of the following events, the terms of the Operating Partnership's Series B and D Preferred Units require it to redeem all of such units and the terms of the Company's Series F Preferred Stock and the Series G Preferred Stock provide the holders of the majority of the outstanding Series F Preferred Stock and Series G Preferred Stock the right to require the Company to redeem all of such stock:

- the Company completes a "going private" transaction and its common stock is no longer registered under the Securities Exchange Act of 1934, as amended;
- the Company completes a consolidation or merger or sale of substantially all of its assets and the surviving entity's debt securities do not possess an investment grade rating;
- the Company fails to qualify as a REIT; or
- in the case of Series G preferred stock, The Company common stock is not traded on a major exchange.

The aggregate redemption price of the Series B Preferred Units would be $80 million, the aggregate redemption price of the Series D Preferred Units would be $50 million, the aggregate redemption price of the Series F Preferred Stock would be $25 million and the aggregate redemption price of the Series G Preferred Stock would be $149.5 million, plus, in each case, any accumulated distributions.

These redemption rights may discourage or impede transactions that might otherwise be in the interest of holders of common stock. Further, these redemption rights might trigger situations where the Company needs to conserve its cash reserves, in which event such redemption might adversely affect the Company and its common holders.

Maryland business combination law may not allow certain transactions between the Company and its affiliates to proceed without compliance with such law - Under Maryland law, “business combinations” between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as any person (and certain affiliates of such person) who beneficially owns ten percent or more of the voting power of the then-outstanding voting stock. The law also requires a supermajority stockholder vote for such transactions. This means that the transaction must be approved by at least:

- 80% of the votes entitled to be cast by holders of outstanding voting shares; and
- Two-thirds of the votes entitled to be cast by holders of outstanding voting shares other than shares held by the interested stockholder with whom the business combination is to be effected.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors prior to the time that the interested stockholder becomes an interested stockholder. These voting provisions do not apply if the stockholders receive a minimum price, as defined under Maryland law. As permitted by the statute, the Board of Directors of the Company irrevocably has elected to exempt any business combination by us, George M. Marcus, William A. Millichap, who are the chairman and a director of the Company, respectively, and TMMC or any entity owned or controlled by Messrs. Marcus and Millichap and TMMC. Consequently, the five-year prohibition and supermajority vote requirement described above will not apply to any business combination between us and Mr. Marcus, Mr. Millichap, or TMMC. As a result, we may in the future enter into business combinations with Messrs. Marcus and Millichap and TMMC, without compliance with the supermajority vote requirements and other provisions of the Maryland General Corporation Law.

Anti-takeover provisions contained in the Operating Partnership agreement, charter, bylaws, and certain provisions of Maryland law could delay, defer or prevent a change in control - While the Company is the sole general partner of the Operating Partnership, and generally has full and exclusive responsibility and discretion in the management and control of the Operating Partnership, certain provisions of the Operating Partnership agreement place limitations on the Company’s ability to act with respect to the Operating Partnership. Such limitations could delay, defer or prevent a transaction or a change in control that might involve a premium price for our stock or otherwise be in the best interest of the stockholders or that could otherwise adversely affect the interest of the Company’s stockholders. The partnership agreement provides that if the limited partners own at least 5% of the outstanding units of partnership interest in the Operating Partnership, the Company cannot, without first obtaining the consent of a majority-in-interest of the limited partners in the Operating Partnership, transfer all or any portion of our general partner interest in the Operating Partnership to another entity. Such limitations on the Company’s ability to act may result in our being precluded from taking action that the Board of Directors believes is in the best interests of the Company’s stockholders. As of December 31, 2007, the limited partners held or controlled approximately 9.1% of the outstanding units of partnership interest in the Operating Partnership, allowing such actions to be blocked by the limited partners.

The Company’s Charter authorizes the issuance of additional shares of common stock or preferred stock and the setting of the preferences, rights and other terms of such preferred stock without the approval of the holders of the common stock. We may establish one or more series of preferred stock that could delay defer or prevent a transaction or a change in control. Such a transaction might involve a premium price for our stock or otherwise be in the best interests of the holders of common stock. Also, such a class of preferred stock could have dividend, voting or other rights that could adversely affect the interest of holders of common stock.

The Company's Charter, as well as the Company's stockholder rights plan, contains other provisions that may delay, defer or prevent a transaction or a change in control that might be in the best interest of the Company's stockholders. The Company's stockholder rights plan is designed, among other things, to prevent a person or group from gaining control of the Company without offering a fair price to all of the Company's stockholders. The Bylaws may be amended by the Board of Directors to include provisions that would have a similar effect, although the Company presently has no such intention. The Charter contains ownership provisions limiting the transferability and ownership of shares of capital stock, which may have the effect of delaying, deferring or preventing a transaction or a change in control. For example, subject to receiving an exemption from the Board of Directors, potential acquirers may not purchase more than 6% in value of the stock (other than qualified pension trusts which can acquire 9.9%). This may discourage tender offers that may be attractive to the holders of common stock and limit the opportunity for stockholders to receive a premium for their shares of common stock.

The Maryland General Corporations Law restricts the voting rights of shares deemed to be "control shares." Under the Maryland General Corporations Law, "control shares" are those which, when aggregated with any other shares held by the acquirer, entitle the acquirer to exercise voting power within specified ranges. Although the Bylaws exempt the Company from the control share provisions of the Maryland General Corporations Law, the Board of Directors may amend or eliminate the provisions of the Bylaws at any time in the future. Moreover, any such amendment or elimination of such provision of the Bylaws may result in the application of the control share provisions of the Maryland General Corporations Law not only to control shares which may be acquired in the future, but also to control shares previously acquired. If the provisions of the Bylaws are amended or eliminated, the control share provisions of the Maryland General Corporations Law could delay, defer or prevent a transaction or change in control that might involve a premium price for the stock or otherwise be in the best interests of the Company's stockholders.

The Company's joint ventures and joint ownership of Properties and partial interests in corporations and limited partnerships could limit the Company's ability to control such Properties and partial interests - Instead of purchasing apartment communities directly, we have invested and may continue to invest in joint ventures. Joint venture partners often have shared control over the operation of the joint venture assets. Therefore, it is possible that a joint venture partner in an investment might become bankrupt, or have economic or business interests or goals that are inconsistent with our business interests or goals, or be in a position to take action contrary to our instructions or requests, or our policies or objectives. Consequently, a joint venture partners' actions might subject property owned by the joint venture to additional risk. Although we seek to maintain sufficient influence over any joint venture to achieve its objectives, we may be unable to take action without our joint venture partners' approval, or joint venture partners could take actions binding on the joint venture without our consent. Should a joint venture partner become bankrupt, we could become liable for such partner's share of joint venture liabilities.

From time to time, we, through the Operating Partnership, invest in corporations, limited partnerships, limited liability companies or other entities that have been formed for the purpose of acquiring, developing or managing real property. In certain circumstances, the Operating Partnership's interest in a particular entity may be less than a majority of the outstanding voting interests of that entity. Therefore, the Operating Partnership's ability to control the daily operations of such an entity may be limited. Furthermore, the Operating Partnership may not have the power to remove a majority of the board of directors (in the case of a corporation) or the general partner or partners (in the case of a limited partnership) of such an entity in the event that its operations conflict with the Operating Partnership's objectives. The Operating Partnership may not be able to dispose of its interests in such an entity. In the event that such an entity becomes insolvent, the Operating Partnership may lose up to its entire investment in and any advances to the entity. We have, and in the future may, enter into transactions that could require us to pay the tax liabilities of partners, which contribute assets into joint ventures or the Operating Partnership, in the event that certain taxable events, which are within our control, occur. Although we plan to hold the contributed assets or defer recognition of gain on their sale pursuant to the like-kind exchange rules under Section 1031 of the Internal Revenue Code, we can provide no assurance that we will be able to do so and if such tax liabilities were incurred they can expect to have a material impact on our financial position.

Dedicated investment activities and other factors specifically related to Fund II - Fund II involves risks to us such as the following:

- our partners in Fund II might remove the Company as the general partner of Fund II;
- our partners in Fund II might become bankrupt (in which event we might become generally liable for the liabilities of Fund II);

- our partners in Fund II might have economic or business interests or goals that are inconsistent with our business interests or goals;
- our partners in Fund II might fail to fund capital commitments as contractually required; or
- our partners in Fund II might fail to approve decisions regarding Fund II that are in the Company's best interest.

We will, however, generally seek to maintain sufficient influence over Fund II to permit it to achieve its business objectives.

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Investments in mortgages and other real estate securities – The Company may invest in securities related to real estate, which could adversely affect our ability to make distributions to stockholders. The Company may purchase securities issued by entities which own real estate and invest in mortgages or unsecured debt obligations. These mortgages may be first, second or third mortgages that may or may not be insured or otherwise guaranteed. In general, investments in mortgages include the following risks:

- that the value of mortgaged property may be less than the amounts owed, causing realized or unrealized losses;
- the borrower may not pay indebtedness under the mortgage when due, requiring us to foreclose, and the amount recovered in connection with the foreclosure may be less than the amount owed;
- that interest rates payable on the mortgages may be lower than our cost of funds; and
- in the case of junior mortgages, that foreclosure of a senior mortgage would eliminate the junior mortgage.

If any of the above were to occur, cash flows from operations and our ability to make expected dividends to stockholders could be adversely affected.

Possible environmental liabilities - Under various federal, state and local laws, ordinances and regulations, an owner or operator of real estate is liable for the costs of removal or remediation of certain hazardous or toxic substances on, in, to or migrating from such property. Such laws often impose liability without regard as to whether the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. The presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's or operator's ability to sell or rent such property or to borrow using such property as collateral. Persons exposed to such substances, either through soil vapor or ingestion of the substances may claim personal injury damages. Persons who arrange for the disposal or treatment of hazardous or toxic substances or wastes also may be liable for the costs of removal or remediation of such substances at the disposal or treatment facility to which such substances or wastes were sent, whether or not such facility is owned or operated by such person. Certain environmental laws impose liability for release of asbestos-containing materials ("ACMs") into the air, and third parties may seek recovery from owners or operators of real properties for personal injury associated with ACMs. In connection with the ownership (direct or indirect), operation, management and development of real properties, the Company could be considered an owner or operator of such properties or as having arranged for the disposal or treatment of hazardous or toxic substances and, therefore, may be potentially liable for removal or remediation costs, as well as certain other costs, including governmental fines and costs related to injuries of persons and property.

Investments in real property create a potential for environmental liabilities on the part of the owner of such real property. We carry certain limited insurance coverage for this type of environmental risk. We have conducted environmental studies which revealed the presence of groundwater contamination at certain Properties. Such contamination at certain of these properties was reported to have migrated on-site from adjacent industrial manufacturing operations. The former industrial users of the Properties were identified as the source of contamination. The environmental studies noted that certain Properties are located adjacent to any possible down gradient from sites with known groundwater contamination, the lateral limits of which may extend onto such properties. The environmental studies also noted that at certain of these properties, contamination existed because of the presence of underground fuel storage tanks, which have been removed. In general, in connection with the ownership, operation, financing, management and development of real properties, we may be potentially liable for removal or clean-up costs, as well as certain other costs and environmental liabilities. We may also be subject to governmental fines and costs related to injuries to persons and property.

Recently there has been an increasing number of lawsuits against owners and managers of apartment communities alleging personal injury and property damage caused by the presence of mold in residential real estate. Some of these lawsuits have resulted in substantial monetary judgments or settlements. The Company has been sued for mold related matters and has settled some, but not all, such matters, which matters remain unresolved and pending. Insurance carriers have reacted to mold related liability awards by excluding mold related claims from standard policies and pricing mold endorsements at prohibitively high rates. The Company has, however, purchased pollution liability insurance, which includes limited coverage for mold, although the insurance may not cover all pending or future mold claims. The Company has adopted programs designed to manage the existence of mold in its properties as well as guidelines for promptly addressing and resolving reports of mold to minimize any impact mold might have on residents or the property. The Company cannot assure you that it will not be sued in the future for mold related matters and cannot assure you that the liabilities resulting from such current or future mold related matters will not be substantial. The costs of carrying insurance to address potential mold related claims may also be substantial.

California has enacted legislation commonly referred to as “Proposition 65” requiring that “clear and reasonable” warnings be given to consumers who are exposed to chemicals known to the State of California to cause cancer or reproductive toxicity, including tobacco smoke. Although we have sought to comply with Proposition 65 requirements, we cannot assure you that we will not be adversely affected by litigation relating to Proposition 65.

Methane gas is a naturally-occurring gas that is commonly found below the surface in several areas, particularly in the Southern California coastal areas. Methane is a non-toxic gas, but can be ignitable in confined spaces. Although naturally-occurring, methane gas is not regulated at the state or federal level, some local governments, such as the County of Los Angeles, have imposed requirements that new buildings install detection systems in areas where methane gas is known to be located.

Methane gas is also associated with certain industrial activities, such as former municipal waste landfills. Radon is also a naturally-occurring gas that is found below the surface. The Company cannot assure you that it will not be adversely affected by costs related to its compliance with methane gas related requirements or litigation costs related to methane or radon gas.

The Company has almost no indemnification agreements from third parties for potential environmental clean-up costs at its Properties. The Company has no way of determining at this time the magnitude of any potential liability to which it may be subject arising out of unknown environmental conditions or violations with respect to the properties formerly owned by the Company. No assurance can be given that existing environmental studies with respect to any of the Properties reveal all environmental liabilities, that any prior owner or operator of a Property did not create any material environmental condition not known to the Company, or that a material environmental condition does not exist as to any one or more of the Properties. The Company has limited insurance coverage for the types of environmental liabilities described above.

General uninsured losses - The Company carries comprehensive liability, fire, extended coverage and rental loss insurance for each of the Properties. There are, however, certain types of extraordinary losses, such as, for example, losses for terrorism or earthquake, for which the Company does not have insurance coverage. Substantially all of the Properties are located in areas that are subject to earthquake activity. In January 2007, the Company canceled its then existing earthquake policy and established a wholly owned insurance subsidiary, Pacific Western Insurance LLC (“PWI”). Through PWI, the Company is self-insured as it relates to earthquake related losses. Additionally, as of January 2008, PWI provides property and casualty insurance coverage for the first $5.0 million of the Company’s property level insurance claims per incident.

Although the Company may carry insurance for potential losses associated with its Properties, employees, residents, and compliance with applicable laws, it may still incur losses due to uninsured risks, deductibles, co-payments or losses in excess of applicable insurance coverage and those losses may be material. In the event of a substantial loss, insurance coverage may not be able to cover the full current market value of replacement cost of the Company’s lost investment. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also affect the Company’s ability to replace or renovate an apartment community after it has been damaged or destroyed.

Changes in real estate tax and other laws - Generally we do not directly pass through costs resulting from changes in real estate tax laws to residential property tenants. We also do not generally pass through increases in income, service or other taxes, to tenants under leases. These costs may adversely affect funds from operations and the ability to make distributions to stockholders. Similarly, compliance with changes in (i) laws increasing the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions or (ii) rent control or rent stabilization laws or other laws regulating housing may result in significant unanticipated decrease in revenue or increase in expenditures, which would adversely affect funds from operations and the ability to make distributions to stockholders.

Changes in financing policy; no limitation on debt – We have adopted a policy of maintaining a debt-to-total-market-capitalization ratio of less than 50%. The calculation of debt-to-total-market-capitalization is as follows: total indebtedness divided by the sum of total indebtedness plus total equity market capitalization. As used in this calculation, total equity market capitalization is equal to the aggregate market value of the outstanding shares of common stock (based on the greater of current market price or the gross proceeds per share from public offerings of the outstanding shares plus any undistributed net cash flow), assuming the conversion of all limited partnership interests in the Operating Partnership into shares of common stock and the gross proceeds of the preferred units and preferred stock. Based on this calculation (including the current market price and excluding undistributed net cash flow), our debt-to-total-market-capitalization ratio was approximately 35.7% as of December 31, 2007.

Our organizational documents do not limit the amount or percentage of indebtedness that may be incurred. Accordingly, the Board of Directors of The Company could change current policies and the policies of the Operating Partnership regarding indebtedness. If we changed these policies, we could incur more debt, resulting in an increased risk of default on our obligations and the obligations of the Operating Partnership, and an increase in debt service requirements that could adversely affect our financial condition and results of operations. Such increased debt could exceed the underlying value of the Properties.

We are subject to certain tax risks - The Company has elected to be taxed as a REIT under the Internal Revenue Code. The Company's qualification as a REIT requires it to satisfy numerous requirements (some on an annual and quarterly basis) established under highly technical and complex Internal Revenue Code provisions for which there are only limited judicial or administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within the Company's control. Although the Company intends that its current organization and method of operation enable it to qualify as a REIT, the Company cannot assure you that it so qualifies or that it will be able to remain so qualified in the future. Future legislation, new regulations, administrative interpretations or court decisions (any of which could have retroactive effect) could adversely the Company's ability to qualify as a REIT or adversely affect its stockholders. If it fails to qualify as a REIT in any taxable year, the Company would be subject to U.S. federal income tax (including any applicable alternative minimum tax) on its taxable income at corporate rates, and would not be allowed to deduct dividends paid to its shareholders in computing its taxable income. The Company may also be disqualified from treatment as a REIT for the four taxable years following the year in which it failed to qualify. The additional tax liability would reduce its net earnings available for investment or distribution to stockholders, and it would no longer be required to make distributions to its stockholders. Even if the Company continues to qualify as a REIT, it will continue to be subject to certain federal, state and local taxes on its income and property.

The Company has established several taxable REIT subsidiaries. Despite the Company's qualification as a REIT, its taxable REIT subsidiaries must pay U.S. federal income tax on their taxable income. While the Company will attempt to ensure that its dealing with its taxable REIT subsidiaries does not adversely affect its REIT qualification, the Company cannot provide assurance that it will successfully achieve that result. Furthermore, the Company may be subject to a 100% penalty tax, or its taxable REIT subsidiaries may be denied deductions, to the extent its dealings with its taxable REIT subsidiaries' are not deemed to be arm's length in nature. No assurances can be given that The Company's dealings with its taxable REIT subsidiaries' will be arm's length in nature.

From time to time, we may transfer or otherwise dispose of some of our Properties. Under the Internal Revenue Code, any gain resulting from transfers of Properties that we hold as inventory or primarily for sale to customers in the ordinary course of business would be treated as income from a prohibited transaction subject to a 100% penalty tax. Since we acquire properties for investment purposes, we do not believe that our occasional transfers or disposals of property are prohibited transactions. However, whether property is held for investment purposes is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. The Internal Revenue Service may contend that certain transfers or disposals of properties by us are prohibited transactions. If the Internal Revenue Service were to argue successfully that a transfer or disposition of property constituted a prohibited transaction, then the Company would be required to pay a 100% penalty tax on any gain allocable to the Company from the prohibited transaction and the Company's ability to retain future gains on real property sales may be jeopardized. Income from a prohibited transaction might adversely affect the Company's ability to satisfy the income tests for qualification as a REIT for U.S. federal income tax purposes. Therefore, no assurances can be given that the Company will be able to satisfy the income tests for qualification as a REIT.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties

Our core apartment Portfolio as of December 31, 2007 (including partial ownership interests) was comprised of 134 apartment communities (comprising 27,489 apartment units), of which 13,205 units are located in Southern California, 8,462 units are located in the San Francisco Bay Area, 5,520 units are located in the Seattle metropolitan area, and 302 units are located in the other areas which consists of one community in Houston, Texas. The Company’s apartment communities accounted for 97.5% of the Company’s revenue for the year ended December 31, 2007.

Occupancy Rates

The 134 apartment communities had an average Same-Properties occupancy (as defined in Item 7), based on "financial occupancy," during the year ended December 31, 2007, of approximately 95.9%. With respect to stabilized apartment communities with sufficient operating history, occupancy figures are based on financial occupancy (the percentage resulting from dividing actual rental revenue by total possible rental revenue). Actual rental revenue represents contractual revenue pursuant to leases without considering delinquency and concessions. Total possible rental revenue represents the value of all apartment units, with occupied units valued at contractual rental rates pursuant to leases and vacant units valued at estimated market rents. We believe that financial occupancy is a meaningful measure of occupancy because it considers the value of each vacant unit at its estimated market rate. Financial occupancy may not completely reflect short-term trends in physical occupancy and financial occupancy rates as disclosed by other REITs may not be comparable to our calculation of financial occupancy.

As of December 31, 2007, the headquarters building was 100% occupied by the Company and the Southern California office building was 100% occupied, based on physical occupancy. With respect to office buildings, occupancy figures are based on "physical occupancy" which refers to the percentage resulting from dividing leased and occupied square footage by rentable square footage. With respect to recreational vehicle parks, manufactured housing communities, or apartment communities which have not yet stabilized or have insufficient operating history, occupancy figures are based on "physical occupancy" which refers to the percentage resulting from dividing leased and occupied units by rentable units.

For the year ended December 31, 2007, none of the Company's Properties had book values equal to 10% or more of total assets of the Company or gross revenues equal to 10% or more of aggregate gross revenues of the Company.

Apartment Communities

Our apartment communities are generally suburban garden apartments and town homes comprising multiple clusters of two and three story buildings situated on three to fifteen acres of land. The apartment communities have on average of 205 units, with a mix of studio, one, two and some three-bedroom units. A wide variety of amenities are available at each apartment community, including covered parking, fireplaces, swimming pools, clubhouses with complete fitness facilities, volleyball and playground areas and tennis courts.

We select, train and supervise a full team of on-site service and maintenance personnel. We believe that the following primary factors enhance our ability to retain tenants:

- located near employment centers
- well built communities that have been well maintained since acquisition; and
- proactive customer service approach.

Office and Other Commercial Buildings

The Company's corporate headquarters is located in an office building with approximately 17,400 square feet located at 925 East Meadow Drive, Palo Alto, California. The Company acquired the property in 1997. In December 2007, the Company acquired the adjacent property at 935 East Meadow Drive, and the Company will be making improvements to the building though the third quarter of 2008. This building is approximately 14,500 square feet and will be solely occupied by the Company. The Company also owns an office building in Southern California (Woodland Hills), comprised of approximately 38,900 square feet building, of which the Company occupies approximately 11,500 square feet at December 31, 2007. The building has nine third-party tenants occupying approximately 27,400 square feet. The largest single tenant occupies approximately 10,900 square feet. The Company acquired the Woodland Hills property in 2001. The Company has a mortgage loan receivable on an office building with approximately 110,000 square feet located in Irvine, California, which is consolidated in accordance with GAAP. The Company also has two predevelopment projects, Cadence Campus which is an office building comprised of 262,500 square feet, and Essex-Hollywood a commercial building currently utilitized as a production studio of 35,000 square feet, and both properties are 100% leased to single tenants.

Recreational Vehicle Parks and Manufactured Housing Community

The Company owns two recreational vehicle parks (comprising of 338 spaces), acquired in the Company's December 2002 acquisition of John M. Sachs, Inc., and located in El Cajon, California. The Company also owns one manufactured housing community (containing 157 sites), acquired in the Company's December 2002 acquisition of John M. Sachs, Inc., and located in Vista, California.

The following tables describe the Company's Properties as of December 31, 2007. The first table describes the Company's apartment communities and the second table describes the Company's other real estate assets.

Apartment Communities (1)	Location	Units	Rentable Square Footage	Year Built	Year Acquired	Occupancy(2)
Southern California						
Alpine Country	Alpine, CA	108	81,900	1986	2002	94%
Alpine Village	Alpine, CA	306	254,400	1971	2002	96%
Barkley, The(3)(4)	Anaheim, CA	161	139,800	1984	2000	97%
Bonita Cedars	Bonita, CA	120	120,800	1983	2002	98%
Camarillo Oaks	Camarillo, CA	564	459,000	1985	1996	96%
Camino Ruiz Square	Camarillo, CA	160	105,448	1990	2006	97%
Mountain View	Camarillo, CA	106	83,900	1980	2004	98%
Cardiff by the Sea	Cardiff, CA	300	284,460	1986	2007	97%
Cambridge	Chula Vista, CA	40	22,100	1965	2002	96%
Woodlawn Colonial	Chula Vista, CA	159	104,500	1974	2002	93%
Mesa Village	Clairemont, CA	133	43,600	1963	2002	99%
Parcwood(5)	Corona, CA	312	270,000	1989	2004	95%
Coral Gardens	El Cajon, CA	200	182,000	1976	2002	94%
Tierra del Sol/Norte	El Cajon, CA	156	117,000	1969	2002	97%
Grand Regency	Escondido, CA	60	42,400	1967	2002	98%
Valley Park(6)	Fountain Valley, CA	160	169,700	1969	2001	96%
Capri at Sunny Hills(6)	Fullerton, CA	100	128,100	1961	2001	97%
Wilshire Promenade	Fullerton, CA	149	128,000	1992(7)	1997	94%
Montejo(6)	Garden Grove, CA	124	103,200	1974	2001	97%
CBC Apartments	Goleta, CA	148	91,538	1962	2006	98%
Chimney Sweep Apartments	Goleta, CA	91	88,370	1967	2006	95%
Hampton Court (Columbus)	Glendale, CA	83	71,500	1974(8)	1999	94%
Hampton Place (Lorraine)	Glendale, CA	132	141,500	1970(9)	1999	95%
Devonshire	Hemet, CA	276	207,200	1988	2002	92%
Huntington Breakers	Huntington Beach, CA	342	241,700	1984	1997	97%
Hillsborough Park	La Habra, CA	235	215,500	1999	1999	96%
Trabuco Villas	Lake Forest, CA	132	131,000	1985	1997	98%
Marbrisa	Long Beach, CA	202	122,800	1987	2002	97%
Pathways	Long Beach, CA	296	197,700	1975(10)	1991	85%
Bunker Hill	Los Angeles, CA	456	346,600	1968	1998	96%
Cochran Apartments	Los Angeles, CA	58	51,400	1989	1998	93%
Kings Road	Los Angeles, CA	196	132,100	1979(11)	1997	96%
Marbella, The		60	50,108	1991	2005	90%

	Los Angeles, CA					
Marina City Club(12)	Los Angeles, CA	101	127,200	1971	2004	95%
Park Place	Los Angeles, CA	60	48,000	1988	1997	93%
Renaissance, The(5)	Los Angeles, CA	168	154,268	1990(13)	2006	84%
Windsor Court	Los Angeles, CA	58	46,600	1988	1997	93%
Mirabella(14)	Marina Del Rey, CA	188	176,800	2000	2000	98%
Mira Monte	Mira Mesa, CA	355	262,600	1982(15)	2002	96%
Hillcrest Park	Newbury Park, CA	608	521,900	1973(16)(17)	1998	96%
Fairways(18)	Newport Beach, CA	74	107,100	1972	1999	90%
Country Villas	Oceanside, CA	180	179,700	1976	2002	97%
Mission Hills	Oceanside, CA	282	244,000	1984	2005	97%
Mariner's Place	Oxnard, CA	105	77,200	1987	2000	98%
Monterey Villas	Oxnard, CA	122	122,100	1974(19)	1997	98%
Tierra Vista	Oxnard, CA	404	387,100	2001	2001	96%
Monterra del Mar	Pasadena, CA	123	74,400	1972(20)	1997	94%
Monterra del Rey	Pasadena, CA	84	73,100	1972(21)	1999	92%
Monterra del Sol	Pasadena, CA	85	69,200	1972(22)	1999	96%
Villa Angelina(6)	Placentia, CA	256	217,600	1970	2001	97%

(continued)

Apartment Communities (1)	Location	Units	Rentable Square Footage	Year Built	Year Acquired	Occupancy(2)
Southern California (continued)						
Fountain Park	Playa Vista, CA	705	608,900	2002	2004	96%
Highridge(6)	Rancho Palos Verdes, CA	255	290,200	1972(23)	1997	92%
Bluffs II, The(24)	San Diego, CA	224	126,700	1974	1997	98%
Summit Park	San Diego, CA	300	229,400	1972	2002	97%
Vista Capri - North	San Diego, CA	106	51,800	1975	2002	98%
Brentwood (Hearthstone)(6)	Santa Ana, CA	140	154,800	1970	2001	96%
Treehouse(6)	Santa Ana, CA	164	135,700	1970	2001	95%
Hope Ranch Collection	Santa Barbara, CA	108	126,700	1965&73	2007	95%
Carlton Heights	Santee, CA	70	48,400	1979	2002	94%
Hidden Valley (Parker Ranch)(25)	Simi Valley, CA	324	310,900	2004	2004	94%
Meadowood	Simi Valley, CA	320	264,500	1986	1996	91%
Shadow Point	Spring Valley, CA	172	131,200	1983	2002	97%
Coldwater Canyon	Studio City, CA	39	34,125	1979	2007	70%
Lofts at Pinehurst, The	Ventura, CA	118	71,100	1971(26)	1997	97%
Pinehurst(27)	Ventura, CA	28	21,200	1973	2004	98%
Woodside Village	Ventura, CA	145	136,500	1987	2004	96%
Walnut Heights	Walnut, CA	163	146,700	1964	2003	94%
Avondale at Warner Center	Woodland Hills, CA	446	331,000	1970(28)	1997	92%
		13,205	11,038,017			95%
Northern California						
Belmont Terrace	Belmont, CA	71	72,951	1974	2006	96%
Carlmont Woods(5)	Belmont, CA	195	107,200	1971	2004	98%
Davey Glen(5)	Belmont, CA	69	65,974	1962	2006	92%
Pointe at Cupertino, The	Cupertino, CA	116	135,200	1963(29)	1998	98%
Harbor Cove(5)	Foster City, CA	400	306,600	1971	2004	97%
Stevenson Place	Fremont, CA	200	146,200	1971(30)	1983	95%
Boulevard (Treetops)	Fremont, CA	172	131,200	1978(31)	1996	87%
Waterstone at Fremont (Mountain Vista)(32)	Fremont, CA	526	433,100	1975	2000	94%
City View (Wimbledon Woods)	Hayward, CA	560	462,400	1975(33)	1998	95%
Alderwood Park(5)	Newark, CA	96	74,624	1987	2006	97%
Bridgeport (Summerhill Commons)	Newark, CA	184	139,000	1987(34)	1987	96%
Regency Towers(5)	Oakland, CA	178	140,900	1975(35)	2005	92%
San Marcos (Vista del Mar)	Richmond, CA	432	407,600	2003	2003	96%

Mt. Sutro	San Francisco, CA	99	64,000	1973	2001	98%
Carlyle, The	San Jose, CA	132	129,200	2000	2000	97%
Enclave, The(5)	San Jose, CA	637	525,463	1998	2005	96%
Esplanade	San Jose, CA	278	279,000	2002	2004	97%
Waterford, The	San Jose, CA	238	219,600	2000	2000	98%
Hillsdale Garden Apartments(36)	San Mateo, CA	697	611,505	1948	2006	96%
Bel Air	San Ramon, CA	462	391,000	1988(37)	1997	96%
Canyon Oaks	San Ramon, CA	250	237,894	2005	2007	94%
Foothill Gardens	San Ramon, CA	132	155,100	1985	1997	94%
Mill Creek at Windermere	San Ramon, CA	400	381,060	2005	2007	93%
Twin Creeks	San Ramon, CA	44	51,700	1985	1997	94%
Le Parc Luxury Apartments	Santa Clara, CA	140	113,200	1975(38)	1994	98%
Marina Cove(39)	Santa Clara, CA	292	250,200	1974(40)	1994	98%
Harvest Park	Santa Rosa, CA	104	116,628	2004	2007	95%
Bristol Commons	Sunnyvale, CA	188	142,600	1989	1997	97%
Brookside Oaks(6)	Sunnyvale, CA	170	119,900	1973	2000	99%
Magnolia Lane(41)	Sunnyvale, CA	32	31,541	2001	2007	97%
Montclaire, The (Oak Pointe)	Sunnyvale, CA	390	294,100	1973(42)	1988	90%
Summerhill Park	Sunnyvale, CA	100	78,500	1988	1988	98%
Thomas Jefferson(6)	Sunnyvale, CA	156	110,824	1969	2007	100%
Windsor Ridge	Sunnyvale, CA	216	161,800	1989	1989	96%
Vista Belvedere	Tiburon, CA	76	78,300	1963	2004	94%
Tuscana	Tracy, CA	30	29,088	2007	2007	84%
		8,462	7,195,152			96%

(continued)

Apartment Communities (1)	Location	Units	Rentable Square Footage	Year Built	Year Acquired	Occupancy(2)
Seattle, Washington Metropolitan Area						
Cedar Terrace	Bellevue, WA	180	174,200	1984	2005	95%
Emerald Ridge-North	Bellevue, WA	180	144,000	1987	1994	95%
Foothill Commons	Bellevue, WA	360	288,300	1978(43)	1990	99%
Palisades, The	Bellevue, WA	192	159,700	1977(44)	1990	94%
Sammamish View	Bellevue, WA	153	133,500	1986(45)	1994	87%
Woodland Commons	Bellevue, WA	236	172,300	1978(43)	1990	99%
Canyon Pointe	Bothell, WA	250	210,400	1990	2003	97%
Inglenook Court	Bothell, WA	224	183,600	1985	1994	94%
Salmon Run at Perry Creek	Bothell, WA	132	117,100	2000	2000	97%
Stonehedge Village	Bothell, WA	196	214,800	1986	1997	95%
Park Hill at Issaquah	Issaquah, WA	245	277,700	1999	1999	96%
Wandering Creek	Kent, WA	156	124,300	1986	1995	98%
Bridle Trails	Kirkland, WA	108	73,400	1986(46)	1997	97%
Evergreen Heights	Kirkland, WA	200	188,300	1990	1997	96%
Laurels at Mill Creek, The	Mill Creek, WA	164	134,300	1981	1996	97%
Morning Run(5)	Monroe, WA	222	221,786	1991	2005	97%
Anchor Village(6)	Mukilteo, WA	301	245,900	1981	1997	96%
Castle Creek	Newcastle, WA	216	191,900	1997	1997	95%
Brighton Ridge	Renton, WA	264	201,300	1986	1996	96%
Fairwood Pond	Renton, WA	194	189,200	1997	2004	95%
Forest View	Renton, WA	192	182,500	1998	2003	96%
Cairns, The	Seattle, WA	100	70,806	2006	2007	95%
Fountain Court	Seattle, WA	320	207,000	2000	2000	96%
Linden Square	Seattle, WA	183	142,200	1994	2000	97%
Maple Leaf	Seattle, WA	48	35,500	1986	1997	99%
Spring Lake	Seattle, WA	69	42,300	1986	1997	99%
Tower @ 801(5)	Seattle, WA	173	118,500	1970	2005	97%
Wharfside Pointe	Seattle, WA	142	119,200	1990	1994	97%
Echo Ridge(5)	Snoqualmie, WA	120	124,539	2000	2005	97%
		5,520	4,688,531			96%
Other Region						
St. Cloud	Houston, TX	302	306,800	1968	2002	93%
		302	306,800			93%
Total/Weighted Average		27,489	23,228,500			96%

Other real estate assets(1)	Location	Tenants	Rentable Square Footage	Year Built	Year Acquired	Occupancy(2)
Office Buildings						

535 - 575 River Oaks(47)	San Jose, CA	1	262,500	1990	2007	100%
925 East Meadow Drive(48)	Palo Alto, CA	1	17,400	1988	1997	100%
935 East Meadow Drive(49)	Palo Alto, CA	-	14,500	1962	2007	0%
6230 Sunset Blvd(47)	Los Angeles, CA	1	35,000	1938	2006	100%
17461 Derian Ave(50)	Irvine, CA	3	110,000	1983	2000	100%
22110-22120 Clarendon Street(51)	Woodland Hills, CA	9	38,940	1982	2001	100%
Total Office Buildings		15	478,340			100%
Recreational Vehicle Parks						
Circle RV	El Cajon, CA	179 spaces		1977	2002	(52)
Vacationer	El Cajon, CA	159 spaces		1973	2002	(52)
Total Recreational Vehicle Parks		338 spaces				
Manufactured Housing Community						
Green Valley	Vista, CA	157 sites		1973	2002	(52)
Total Manufactured Housing Community		157 sites				

Footnotes to the Company’s Properties Listing as of December 31, 2007

(1) Unless otherwise specified, the Company has a 100% ownership interest in each Property.

(2) For apartment communities, occupancy rates are based on financial occupancy for the year ended December 31, 2007; for the office buildings, recreational vehicle parks, manufactured housing communities or properties which have not yet stabilized or have insufficient operating history, occupancy rates are based on physical occupancy as of December 31, 2007. For an explanation of how financial occupancy and physical occupancy are calculated, see “Properties-Occupancy Rates” in this Item 2.

(3) The Company has a 30% special limited partnership interest in the entity that owns this apartment community. This investment was made under arrangements whereby the Essex Management Corporation (“EMC”) became the general partner and the existing partners were granted the right to require the applicable partnership to redeem their interest for cash. Subject to certain conditions, the Company may, however, elect to deliver an equivalent number of shares of the Company’s common stock in satisfaction of the applicable partnership's cash redemption obligation.

(4) The community is subject to a ground lease, which, unless extended, will expire in 2082.

(5) This community is owned by Fund II. The Company has a 28.2% interest in Fund II which is accounted for using the equity method of accounting.

(6) The Company holds a 1% special limited partner interest in the partnerships which own these apartment communities. These investments were made under arrangements whereby EMC became the 1% sole general partner and the other limited partners were granted the right to require the applicable partnership to redeem their interest for cash. Subject to certain conditions, the Company may, however, elect to deliver an equivalent number of shares of the Company’s common stock in satisfaction of the applicable partnership’s cash redemption obligation.

(7) In 2002 the Company purchased an additional 21 units adjacent to this apartment community for $3 million. This property was built in 1992.

(8) The Company completed a $1.6 million redevelopment in 2000.

(9) The Company completed a $2.3 million redevelopment in 2000.

(10) The Company is in the process of performing a $10.7 million redevelopment.

(11) The Company completed a $6.2 million redevelopment in 2007. .

(12) This community is subject to a ground lease, which, unless extended, will expire in 2067.

(13) Fund II is in the process of performing a $5.0 million redevelopment.

(14) During the third quarter of 2007, the Company acquired full ownership by purchasing the general contractor's interest for $9 million.

(15) The Company is in the process of performing a $6.1 million redevelopment.

(16) The Company completed an $11.0 million redevelopment in 2001.

(17) The Company completed an additional $3.6 million redevelopment in 2005.

(18) This community is subject to a ground lease, which, unless extended, will expire in 2027.

(19) The Company completed a $3.2 million redevelopment in 2002.

(20) The Company completed a $1.9 million redevelopment in 2000.

(21) The Company completed a $1.9 million redevelopment in 2001.

(22) The Company completed a $1.7 million redevelopment in 2001.

(23) The Company is in the process of performing a $16.1 million redevelopment.

(24) The Company had an 85% controlling limited partnership interest as of December 31, 2006, and during January 2007 the Company acquired the remaining 15% partnership interest.

(25) The Company and EMC have a 74.0% and 1% member interests, respectively.

(26) The Company completed a $3.5 million redevelopment in 2002.

(27) The community is subject to a ground lease, which, unless extended, will expire in 2028.

(28) The Company is in the process of performing a $14.1 million redevelopment.

(29) The Company completed a $2.7 million redevelopment in 2001.

(30) The Company completed a $4.5 million redevelopment in 1998.

(31) The Company is in the process of performing an $8.4 million redevelopment.

(32) The Company had a preferred limited partnership interest. In March 2007, the Company sold part of its limited partnership interest, and in January 2008, the Company sold its remaining interest.

(33) The Company is in the process of performing a $9.4 million redevelopment.

(34) The Company is in the process of performing a $4.6 million redevelopment

(35) Fund II is in the process of performing a $4.5 million redevelopment.

(36) The community was subject to a ground lease, which, unless extended, would expire in 2047. In the second quarter of 2007, the Company entered into a joint venture partnership with a third-party, and the Company contributed the improvements for an 81.5% interest and the joint venture partner contributed the title to the land for an 18.5% interest in the partnership.

(37) The Company completed construction of 114 units of the 462 total units in 2000.
(38) The Company completed a $3.4 million redevelopment in 2002.
(39) A portion of this community on which 84 units are presently located is subject to a ground lease, which, unless extended, will expire in 2028.
(40) The Company is in the process of performing a $9.9 million redevelopment.
(41) The community is subject to a ground lease, which, unless extended, will expire in 2070.
(42) The Company is in the process of performing a $15.1 million redevelopment.
(43) The Company is in the process of performing a joint $30.6 million redevelopment at these communities.
(44) The Company is in the process of performing a $7.0 million redevelopment
(45) The Company is in the process of performing a $3.9 million redevelopment.
(46) The Company is in the process of performing a $5.1 million redevelopment and completed construction of 16 units of the community's 108 units in 2006. Operations were restabilized in the second quarter of 2006.
(47) The property is leased to a single tenant on a short-term basis, and is included in the Company's predevelopment pipeline.
(48) The Company occupies 100% of this property.
(49) The property is currently vacant and under a $2.0 million redevelopment. The Company expects to occupy 100% of this property upon completion of the redevelopment in approximately the third quarter of 2008.
(50) The Company has a mortgage receivable, and consolidates this property in accordance with GAAP. The Company occupies 4.6% of this property.
(51) The Company occupies 30% of this property.
(52) The Company leased these three properties in 2003 to an unrelated third party for approximately 5 years with an option to purchase the property in approximately 2008.

Item 3. Legal Proceedings

Recently there has been an increasing number of lawsuits against owners and managers of apartment communities alleging personal injury and property damage caused by the presence of mold in residential real estate. Some of these lawsuits have resulted in substantial monetary judgments or settlements. The Company has been sued for mold related matters and has settled some, but not all, of such matters. Insurance carriers have reacted to mold related liability awards by excluding mold related claims from standard policies and pricing mold endorsements at prohibitively high rates. The Company has, however, purchased pollution liability insurance, which includes some coverage for mold. The Company has adopted programs designed to manage the existence of mold in its properties as well as guidelines for promptly addressing and resolving reports of mold to minimize any impact mold might have on residents or property. Liabilities resulting from such mold related matters are not expected to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

The Company carries comprehensive liability, fire, extended coverage and rental loss insurance for each of the Properties. There are, however, certain types of extraordinary losses, such as, for example, losses for terrorism or earthquake, for which the Company does not have insurance coverage. Substantially all of the Properties are located in areas that are subject to earthquake activity.

The Company is subject to various other lawsuits in the normal course of its business operations. Such lawsuits are not expected to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

During the fourth quarter of 2007, no matters were submitted to a vote of security holders.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The shares of the Company's common stock are traded on the New York Stock Exchange ("NYSE") under the symbol ESS.

Market Information

The Company's common stock has been traded on the NYSE since June 13, 1994. The high, low and closing price per share of common stock reported on the NYSE for the quarters indicated are as follows:

Quarter Ended	High	Low	Close
December 31, 2007	$ 127.35	$ 94.08	$ 97.49
September 28, 2007	$ 123.50	$ 102.00	$ 117.57
June 30, 2007	$ 133.40	$ 114.19	$ 116.30
March 30, 2007	$ 148.54	$ 124.78	$ 124.78
December 29, 2006	$ 133.99	$ 119.76	$ 129.25
September 29, 2006	$ 128.57	$ 111.54	$ 121.40
June 30, 2006	$ 111.90	$ 100.90	$ 111.66
March 31, 2006	$ 111.10	$ 92.10	$ 108.73

The closing price as of February 25, 2008 was $110.25.

Holders

The approximate number of holders of record of the shares of the Company's common stock was 263 as of February 25, 2008. This number does not include stockholders whose shares are held in trust by other entities. The actual number of stockholders is greater than this number of holders of record.

Return of Capital

Under provisions of the Internal Revenue Code of 1986, as amended, the portion of the cash dividend, if any, that exceeds earnings and profits is considered a return of capital. The return of capital is generated due to a variety of factors, including the deduction of non-cash expenses, primarily depreciation, in the determination of earnings and profits.

The status of the cash dividends distributed for the years ended December 31, 2007, 2006 and 2005 related to common stock, Series F and Series G preferred stock for tax purposes are as follows:

	2007	2006	2005
Common stock			
Ordinary income	75.65%	100.00%	74.91%
Capital gains	24.35%	0.00%	25.09%
Return of capital	0.00%	0.00%	0.00%
	100.00%	100.00%	100.00%

	2007	2006	2005
Series F and G Preferred stock(1)			
Ordinary income	75.65%	100.00%	74.91%
Capital gains	24.35%	0.00%	25.09%
Return of capital	0.00%	0.00%	0.00%
	100.00%	100.00%	100.00%

(1) Series G was issued during the third quarter of 2006.

Dividends and Distributions

Since its initial public offering on June 13, 1994, the Company has paid regular quarterly dividends to its stockholders. The Company has paid the following dividends per share of common stock:

Year Ended	Annual Dividend
1994	$ 0.915
1995	$ 1.685
1996	$ 1.720
1997	$ 1.770
1998	$ 1.950
1999	$ 2.150
2000	$ 2.380
2001	$ 2.800
2002	$ 3.080
2003	$ 3.120
2004	$ 3.160

Quarter Ended	2005	2006	2007
March 31,	$ 0.810	$ 0.840	$ 0.930
June 30,	$ 0.810	$ 0.840	$ 0.930
September 31,	$ 0.810	$ 0.840	$ 0.930
December 31,	$ 0.810	$ 0.840	$ 0.930
Annual Dividend	$ 3.240	$ 3.360	$ 3.720

Future distributions by the Company will be at the discretion of the Board of Directors and will depend on the actual cash flows from operations of the Company, its financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code, applicable legal restrictions and such other factors as the Board of Directors deems relevant. There are currently no contractual restrictions on the Company's present or future ability to pay dividends.

On February 27, 2008, the Company announced the Board of Directors approved a $0.09 per share increase to the quarterly cash dividend, which represents a $0.36 increase on an annualized basis. Accordingly, the first quarter dividend distribution, payable on April 15, 2008 to stockholders as of record as of March 31, 2008, will be $1.02 per share.

Dividend Reinvestment and Share Purchase Plan

The Company has adopted a dividend reinvestment and share purchase plan designed to provide holders of Common Stock with a convenient and economical means to reinvest all or a portion of their cash dividends in shares of Common Stock and to acquire additional shares of Common Stock through voluntary purchases. Computershare, LLC, which serves as the Company's transfer agent, administers the dividend reinvestment and share purchase plan. For a copy of the plan, contact Computershare, LLC at (312) 360-5354.

Stockholder Rights Plan

In 1998, the Company adopted a stockholder rights plan that is designed to enhance the ability of all of the Company's stockholders to realize the long-term value of their investment. The rights plan is designed, in part, to prevent a person or group from gaining control of the Company without offering a fair price to all of the Company's stockholders.

On October 13, 1998, the Board declared a one-for-one preferred share purchase right (a "Right") for each outstanding share of Common Stock. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value $.0001 per share, of the Company, at a price of

$99.13 per one-hundredth of a share, subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement dated as of November 11, 1998, as amended between the Company and Computershare, LLC as Rights Agent.

Securities Authorized for Issuance under Equity Compensation Plans

See our disclosure in the 2007 Proxy Statement under the heading "Equity Compensation Plan Information", which disclosure is incorporated herein by reference.

Issuance of Registered Equity Securities

Period	Total Number of Shares Sold	Average Price per Share	Proceeds (net of fees and commissions)
4/5/07 to 5/6/07	1,670,500	$127.91	$213,672,000

During the second quarter of 2007 the Company sold 1,670,500 shares of common stock for proceeds of $213.7 million, net of underwriter fees and expenses. The Company used the net proceeds from the stock offerings to pay down outstanding borrowings under the Company's lines of credit and to fund acquisition and development projects.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Total Amount that May Yet be Purchased Under the Plans or Programs
9/12/07 to 9/17/07	12,600	$111.60	12,600	$198,593,456
11/13/07 to 11/30/07	196,059	$101.90	208,659	$178,615,425
12/4/07 to 12/21/07	114,600	$98.20	323,259	$167,358,504
Total	323,259	$100.90	323,259	$167,358,504

In August 2007, the Company's Board of Directors authorized a stock repurchase plan to allow the Company to acquire shares in an aggregate of up to $200 million. The program supersedes the common stock repurchase plan that Essex announced on May 16, 2001. During 2007 the Company repurchased and retired 323,259 shares of its common stock for approximately $32.6 million. During January 2008, the Company repurchased and retired 137,500 shares of its common stock for approximately $13.2 million. Since the Company announced the inception of the stock repurchase plan, the Company has repurchased and retired 460,759 shares for $45.8 million at an average stock price of $99.40 per share, including commissions.

Unregistered Sale of Equity Securities and Use of Proceeds

During September 2007, the Company acquired the Thomas Jefferson apartments in Sunnyvale, California, by acquiring ownership interests in the two limited partnerships that collectively owned the property. In connection with this acquisition, the limited partnerships were restructured to provide for limited partnership units, or DownREIT units, that are redeemable for cash, or at the Company's sole discretion, cash or shares of the common stock of the Company. A total of 62,873 such units were issued. The issuance of such units was pursuant to the exemption from registration set forth in Section 4(2) of the Securities Act of 1933, as amended.

Item 6. Selected Financial Data

The following tables set forth summary financial and operating information for the Company from January 1, 2003 through December 31, 2007.

	Years Ended December 31,				
	2007	2006(1)	2005(1)	2004(1)	2003(1)
	(In thousands, except per share amounts)				
OPERATING DATA:					
REVENUES					
Rental and other property	$ 383,433	$ 334,770	$ 303,235	$ 266,722	$ 233,800
Management and other fees from affiliates	5,090	5,030	10,951	23,146	6,027
	388,523	339,800	314,186	289,868	239,827
EXPENSES					
Property operating expenses, excluding depreciation and amortization	128,424	114,398	104,479	93,666	77,307
Depreciation and amortization	100,389	78,094	74,849	66,414	51,814
Amortization of deferred financing costs	3,071	2,745	1,947	1,560	1,187
General and administrative	26,273	22,234	19,148	18,042	9,549
Interest	80,995	72,898	70,784	60,709	49,985
Other expenses	800	1,770	5,827	-	-
	339,952	292,139	277,034	240,391	189,842
Earnings from operations	48,571	47,661	37,152	49,477	49,985
Gain on the sales of real estate	-	-	6,391	7,909	-
Interest and other income	10,310	6,176	8,524	3,077	668
Equity income (loss) in co-investments	3,120	(1,503)	18,553	40,683	2,349
Minority interests	(19,937)	(18,807)	(20,709)	(28,133)	(25,827)
Income from continuing operations before income tax provision	42,064	33,527	49,911	73,013	27,175
Income tax provision	(400)	(525)	(2,538)	(257)	-
Income from continuing operations	41,664	33,002	47,373	72,756	27,175
Income from discontinued	73,974	29,746	32,343	6,937	7,915

operations (net of minority interests)										
Net income		115,638		62,748		79,716		79,693		35,090
Write off of Series C preferred units offering costs		-		-		-		-		(625)
Amortization of discount on Series F preferred stock		-		-		-		-		(336)
Dividends to preferred stockholders		(9,174)		(5,145)		(1,953)		(1,952)		(195)
Net income available to common stockholders	$	106,464	$	57,603	$	77,763	$	77,741	$	33,934
Per share data:										
Basic:										
Net income from continuing operations available to common stockholders	$	1.32	$	1.21	$	1.98	$	3.09	$	1.21
Net income available to common stockholders	$	4.34	$	2.50	$	3.38	$	3.39	$	1.58
Weighted average common stock outstanding		24,548		23,082		23,039		22,921		21,468
Diluted:										
Net income from continuing operations available to common stockholders	$	1.29	$	1.18	$	1.94	$	3.06	$	1.20
Net income available to common stockholders	$	4.24	$	2.45	$	3.32	$	3.36	$	1.57
Weighted average common stock outstanding		25,101		23,551		23,389		23,156		21,679
Cash dividend per common share	$	3.72	$	3.36	$	3.24	$	3.16	$	3.12

	As of December 31,				
	2007	2006(1)	2005(1)	2004(1)	2003(1)
BALANCE SHEET DATA:					
Investment in rental properties (before accumulated depreciation)	$ 3,117,759	$ 2,669,187	$ 2,431,629	$ 2,371,194	$ 1,984,122
Net investment in rental proerties	2,575,772	2,204,172	2,042,589	2,041,542	1,718,359
Real estate under development	233,445	107,620	54,416	38,320	55,183
Total assets	2,980,323	2,485,840	2,239,290	2,217,217	1,916,811
Total secured indebtedness	1,362,873	1,186,554	1,129,918	1,161,184	976,545
Total unsecured indebtedness	294,818	225,000	225,000	155,800	12,500
Cumulative convertible preferred stock	145,912	145,912	-	-	-