

**Mid-America Apartment Communities, Inc. (NYSE: MAA)
Second Quarter 2007 Earnings Release Conference Call
August 3, 2007**

Leslie Wolfgang:

Good morning. This is Leslie Wolfgang, Director of External Reporting for Mid-America Apartment Communities. With me are Eric Bolton, our CEO, Simon Wadsworth, our CFO, Al Campbell, Treasurer, Tom Grimes, Director of Property Management and Drew Taylor, Director of Asset Management.

Before we begin I want to point out that as part of the discussion this morning company management will make forward-looking statements. Please refer to the safe-harbor language included in yesterday's press release and our 34-Act filings with the SEC which describe risk factors that may impact future results. These reports, along with a copy of today's prepared comments, and an audio copy of this morning's call can be found on our website.

I'll now turn the call over to Eric.

Eric Bolton:

Good morning and thank you for joining us. Simon and I will provide a few comments and then we'll open the line for your questions.

We're pleased with the quarter's results as same store performance exceeded forecast and FFO results were ahead of the mid-point of our guidance. The strong performance continues to reflect an environment of solid market fundamentals, as well as changes made over the last few years to create a more robust performing portfolio and further strengthen our operating platform. Positive momentum continued in the second quarter as year over year growth in same store revenues and NOI, before the impact of straight-lining concessions, were ahead of the performance captured in the first quarter. We expect continued positive momentum and as Simon will outline for you, we remain optimistic about the outlook for the year and prior guidance provided.

The solid operating results for the second quarter were driven by strong top-line growth as occupancy remains high across the portfolio. In fact, occupancy at the end of the quarter was at an impressive seven year high for a second quarter performance. Perhaps more importantly, same store "economic" occupancy, which represents that occupancy that we actually get paid for, was also very good at almost 91%; this performance represents the highest "economic" occupancy we've captured since the first quarter of 2000, over 7 years ago.

The strong second quarter occupancy was supported by a 14% increase in leasing traffic as compared to the prior year. As you can see in our supplemental schedules to yesterday's earnings release, occupancy performance was strong across most all of our markets. Of course the Florida markets continue to show some moderation from their

super-charged levels of last year, but this year's occupancy is nevertheless strong by historical standards. The only market of any notable weakness was Columbus, GA, which is home to the Army's Fort Benning, where troop deployment generated higher than normal move-out. However, we are already seeing solid recovery with occupancy at our two properties in Columbus, closing July at 94% occupancy. In fact, our same store portfolio closed July at 95.3% occupancy which is slightly higher than where we closed the second quarter.

Further supporting the solid revenue results for the quarter was continued good progress on pricing, with leasing concessions down a significant 33% and net effective pricing up a solid 4.3%. The roll-out of LRO was completed during the second quarter and we're excited about the opportunities for continued robust revenue performance as this system works its way into our current leasing activities. The use of LRO on lease renewal transactions is just now beginning to occur and this is an area of opportunity where we are particularly bullish.

Our property repositioning and unit interior initiative made solid progress in the second quarter with almost 900 units renovated year-to-date; capturing rent increases averaging 15%, and generating un-leveraged investment returns, program-to-date, of 14% based solely on the rent bump being captured. We expect this program, with a total of 14,000 units targeted for possible repositioning and up-grade, will further support our ability to drive year over year growth in NOI that will out-pace market level performance.

As Simon will detail for you, we completed a number of acquisition and disposition transactions over the last few months. This activity, along with the new development projects underway, continues to up-grade both the quality and the performance profile of the portfolio.

The acquisition market remains competitive. The only moderation we've seen take place is a squeeze out of the very high-end leverage buyer or those depending on the aggressive conduit loan programs to make their deals work. Both the high-end institutional quality assets, as well as value-add acquisition opportunities, are still generating a very active level of interest on the part of more disciplined buyers. As a result, we aren't really seeing any meaningful shift in cap rates at this point. Our acquisition group is quite busy and deal flow remains very high.

We remain focused on carefully and thoroughly considering the best use of available capital and balance sheet capacity for creating long-term net present value for our shareholders. While the ability to capture attractive investment returns for routine 100% owned one-off property acquisitions is a challenge in today's market, and it certainly has been made more difficult given the recent weakness in the REIT sector pricing, our knowledge of markets and significant network of relationships in the region, and record of performing for sellers, continues to drive a very active pipeline of opportunities. We have a long-established and very disciplined process we go through in analyzing all capital deployment decisions, including full consideration to current cost of equity. We certainly do not plan to compromise this process, or overly complicate our business

model with poor quality revenue, or drive unacceptable risk levels into our balance sheet and platform, in an effort to reach for new growth in the currently challenging acquisitions environment. We do remain optimistic about the current results being captured and future up-size to be realized from those investment opportunities involving redeveloping a number of our existing properties, the value-add new development projects we have underway and the opportunities to deploy capital through our new joint-venture acquisition fund; all of which provide attractive investment opportunities that are well in excess of our cost of capital, exceed our investment hurdles and importantly, are accretive to long-term net present value per share.

Simon will now review a few more details on the quarter's performance and an update on FFO guidance.

Simon Wadsworth:

We're pleased that we were able to report second quarter FFO of 84 cents per share/unit, 2 cents ahead of the mid-point of our guidance, driven by strong revenue growth. Our same-store revenue growth was 5.1%, which was ahead of our internal forecast, and close to the exceptional growth rate of the second quarter of 2006. Revenues were driven by strong physical occupancy, which, in the same store group, ended the quarter at 95.2% compared to 95.0% a year ago, again an exceptional performance when compared to such an excellent comparable quarter. Our concession rate dropped to 2.7% from 4.1%, with the average concession per move in dropping from \$356 in the second quarter last year to \$250, and our ARU increased by 2.8% to \$729, an increase in our effective rental rate of 4.3%.

Controllable operating expenses increased in the second quarter by 4.5% on higher marketing and leasing costs, largely attributable to the increased traffic and the related 3.7% increase in number of move-ins. We also incurred additional marketing costs in Florida where leasing has been a little tougher compared to the very buoyant markets of the prior two years. We saw some moderation in our turn costs from the first quarter, when we incurred costs to reduce the number of days it takes to get a unit market ready from 21 in January to 15 for all of the second quarter. We also experienced some additional costs due to the drought in Florida and repairs prompted by the rainstorms in Texas.

Operating income before property taxes and insurance costs increased 5.3% over the same quarter a year ago. Our NOI, which increased by 3.9%, continued to be impacted by the big increase in insurance costs we experienced when we renewed our insurance program last year. Beginning in July this year, we'll have much more favorable comparisons, as we were able on this year's renewal to reduce our property and liability premium costs by \$1½ million, a 17% annual reduction, while improving coverage. Going forward, this is equivalent to a 1% reduction in our same store expenses.

Last year we had a great year for property taxes, with no year-over-year increase, but this year it's been a lot tougher, and we're projecting a 4½% increase for same-store taxes. We continue to be very active in dealing with threatened tax and valuation increase in

Florida and Texas, where we have close to 40% of our portfolio, and where values and tax rates remain fluid. In the last few months we added 4 cents per share to our full year tax expense forecast; fortunately this additional expense was offset by our strong revenues and by savings from our insurance renewal.

In the second quarter, if our insurance and real estate taxes had increased at a more normal 3% rate, NOI growth would have been 5.7%.

As Eric, mentioned, we're encouraged by the continued momentum in our same store revenue growth this year. Same-store revenues grew faster in the second quarter on a year over year basis than they did in the first quarter. Before adjustment to straight-line concessions and fees, on a year-over-year basis, total revenues grew 18% faster in the second quarter compared to the first quarter. Similarly, before the same concession and fee adjustment, NOI grew 22% faster in the second quarter compared to the first quarter. In other words, we are seeing an improving environment as we implement our operating initiatives.

We had a number of markets with close to 8% or greater revenue growth compared to the same period a year ago: two of our Texas markets, Houston and Austin were in this category, along with Memphis and Nashville. The only areas of weakness were some of our Florida markets, where the outstanding growth of the last couple of years have made year over year comparisons very tough, and as Eric mentioned, our Columbus, GA market, where we were impacted by troop deployments, plus a few individual markets with single assets with specific issues. Several markets in Florida countered the relative softness that we saw at our four properties in Tampa and our single property in Orlando; Tallahassee and Gainesville at 12% each, and Coral Springs in South Florida at 6 ½%, all experienced excellent revenue increases compared to a year ago.

As Eric mentioned, we completed the roll-out of our yield management software in the second quarter, and are encouraged by the early indications from the full roll-out as well as by the earlier test results. Our analysis indicates that the growth in revenues across our portfolio is about 2½% ahead of market, and of course we have yet to really see the impact of LRO on lease renewals.

We believe it is reasonable to think that part of the reason for our strong revenue performance is due to the tightened mortgage market and the reduction in available sub-prime mortgages. Our traffic, applications, and move-ins were all up over last year, and the continued strength of demand for our apartments makes it seem likely that the tighter mortgage markets may be impacting our "front door". People may be electing to rent instead of buying a house, and as others have speculated, we may see some of the benefit as the year progresses. As far as the 'back-door' is concerned, our turnover for the quarter year to date has been similar to the same level as last year, but we're optimistic that we'll pick up further benefit from the tougher mortgage environment as the year progresses.

There were three items that were a drag on FFO in the second quarter compared to the same period a year ago. We're carrying a bigger development and lease-up load, which

cost us over 3 cents of FFO in the second quarter. You'll remember that we sold our Crow JV assets in the first quarter, and that cost us almost 1 cent of lost FFO per share on a comparable basis this past quarter; although we think we're close, we have not yet added any investments in our new JV vehicle, Fund I. Our combined property management expense and G&A increased over the second quarter of last year by \$1.2 million. The bulk of the increase was in bonus expense associated with property operations, and a \$150,000 increase to franchise and excise tax expense related to a change in the tax structure in Texas and new taxes in Tennessee. We expensed the cost of setting up Fund I in the quarter, and incurred over \$100,000 of costs relating to operating LRO. We continue to project the full year total combined G&A and property management expense to be in the range of \$29 - \$30 million.

As a percent of FFO or AFFO, our dividend coverage is well above the sector median. Despite having a much more conservative business strategy than most in the sector, our fixed charge coverage is 2.2x, also above the sector median. Our balance sheet has continued to strengthen, as our debt to gross real estate assets dropped to 53% from 54% a year ago, and we have over \$200 million of unused debt capacity. In short, we have more than enough capacity to fund our anticipated total investment in Fund I, the balance of our development pipeline, our planned redevelopment over the next 18 months, and our commitments to acquire two construction properties.

We are focused on these high-return on investment opportunities: joint venture investment in Fund I, development, and redevelopment. As Eric has pointed out, acquisitions of existing properties on a 100%-owned basis continues to be highly competitive. As we've discussed in the past, we underwrite our investments based on our estimate of our cost of equity on the day which we complete the underwriting, and we add a 20% premium to determine our investment hurdle rate. So, regardless of stock price, we are always targeting investment returns at above our cost of equity. Our disciplined approach to investing coupled with our conservative balance sheet and business strategy has enabled us not to experience balance sheet pressure even during this difficult period in the capital markets.

Following the sale in the second quarter of two of our IPO properties in Memphis, we completed the sale in July of two of our older properties in Jackson, MS, which have an average age of 23 years, for \$14.6 million. We averaged a cap rate of about 6.9 for the Memphis assets, and 7.9 for the Jackson properties. We anticipate dilution in the range of 1½ cents per share/unit as a result of this year's dispositions, and about 3½ cents in 2008.

Our forecast for 2007 is based on continued market strength, with same-store NOI growth towards the upper end of our prior guidance of 5 – 6%. We're projecting same store revenues to increase 5% – 6% for the full year, helped by the continued strength in our markets, our fee initiatives, and the installation of our yield management software. At the mid-point of our guidance, FFO per share/unit is projected to be \$3.50, representing 5% growth. Strong same-store results helped us achieve better-than-anticipated first and second quarter results, but we are maintaining the mid-point of our FFO guidance for the balance of the year at \$3.50, while narrowing the guidance range to \$3.43 to \$3.57.

Although we're expecting our same-store NOI increase for the second half year to be very close to our prior projections, we expect almost a couple of cents reduced FFO from Fund I due to the slower than anticipated investment rate, reflecting the continued tough acquisition pricing. We also anticipate closing on the acquisition of the lease-up property, Farmington Village, at the end of September, which should dilute us ½ cent in the fourth quarter, before it becomes accretive to FFO in the first quarter of 2008. The mid-point of our third and fourth quarter guidance are 87 cents and 92 cents, respectively, and, as for the full year, we narrowed the guidance range. We expect improvement in the third and fourth quarter results both from the reduced dilution from the lease up of Talus Ranch and Brier Creek II, as well as the growing impact of the yield management software on our revenues. As a reminder, as a result of LRO over the next couple of years we expect that we will increasingly migrate to net pricing (that is, reduce concessions). Since we amortize concessions across the life of the lease, we expect this transition to reduce reported FFO by a combined 2 cents in the third and fourth quarters, and a like amount next year. Of course this is a non-cash item. And finally, as a reminder, we anticipate calling our 9¼% Series F Preferred in October, which will result in a non-cash charge of \$580,000 to write off the original issuance costs.

Eric Bolton:

We believe the elements are in place for Mid-America to continue delivering solid operating results. Our focus on the high growth sun-belt markets, uniquely diversified across the region, coupled with the upside to be realized from our property redevelopment program and opportunities to be captured from new technologies such as LRO, will deliver continued steady and strong operating results. While fears that the slow down in the single-family housing market and tightening credit markets may dampen growth in the economy, these same factors will drive more rental business our way. And as Mid-America demonstrated a few years back when the economy hit a soft spot, were we to see a significant slow down in the economy, our approach to diversifying capital across steady income markets coupled with a generally conservative business strategy, provides stability in performance not captured by other apartment REIT platforms. New development projects and various lease-up processes underway, while pressuring this year's FFO growth, will begin to produce benefits starting next year and into 2009. Our new JV acquisition fund holds the potential for meaningful FFO contribution and very attractive investment returns on the capital deployed. We have a solid balance sheet and coverage ratios are strong. We're optimistic about the prospects for steady growth in Mid-America's shareholder value.

As a reminder, we will be holding our Institutional Investor Day meeting in Raleigh, NC on Monday, September 10th. After registration during lunch, we will conduct property tours beginning at 2:00 and as part of the tour will present details on our technology platform, our redevelopment program and new development projects. We will have a dinner that evening along with a brief update and overview on the company's strategy. Registration information and more details are available at our web site.