Good morning. This is Tim Argo, SVP of Finance for MAA. With me are Eric Bolton, our CEO, Al Campbell, our CFO, Tom Grimes, our COO, and Rob DelPriore, our General Counsel.

Before we begin with our prepared comments this morning, I want to point out, that as part of the discussion, company management will be making forward-looking statements. Actual results may differ materially from our projections. We encourage you to refer to the forward looking statements section in yesterday’s earnings 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 will be available on our website.

During this call, we will also discuss certain non-GAAP financial measures. Reconciliations to comparable GAAP measures can be found in our earnings release and supplemental financial data.

I’ll now turn the call over to Eric.

Eric Bolton

Thanks Tim and good morning.

Leasing conditions across our markets continue to reflect strong demand for apartment housing.

During the second quarter, we captured meaningful improvement in pricing with a blended lease-over-lease growth rate of 3.3%. This is 90 basis points better than Q2 of last year and the best quarterly lease-over-lease rent growth captured since our merger with Post. Looking at pricing trends for new move-in residents on a lease-over-lease basis, where new supply and competition generate the highest pressure, we captured a significant 170 basis point improvement over last year. Resident turnover remains at a historically low level and rent growth on renewal leases during Q2 was a strong 5.9%. We believe pricing trends have reached an inflection point and we expect to see positive momentum over the next several quarters.
We’re encouraged with the positive momentum in rent growth and believe this will support the stronger revenue growth that we expect to capture over the second half of the year. We continue to capture very favorable performance in year-over-year growth in operating expenses. As a result of the improving pricing trends and continued favorable expense performance, we continue to be comfortable with our outlook for same store NOI performance.

I’m particularly encouraged by the emerging and improving trends in pricing performance across the legacy Post portfolio. As our work over the past year to strengthen and reconcile revenue management practices take hold through this year’s leasing season, we are beginning to capture the positive impact. This is despite the fact that many of the legacy Post submarkets are currently battling some of the more challenging new supply pressure across our portfolio. We’re thrilled with the associates we now have in place at our legacy Post locations and I very much appreciate their hanging in there with us as we worked through the merger and reconciliation of on-site operating practices.

Merger related activities continue to wind down. During July we successfully wrapped up the final systems conversion work and completed the consolidation of the legacy MAA and legacy Post operations onto one management and reporting platform. This has been a significant effort by every part of our company. We’re excited to have this effort behind us and to now be in a position to further harvest opportunities associated with being on one operating and reporting system.

As outlined in our earnings release, acquisition activity remains fairly quiet for us as aggressive pricing keeps us largely on the sidelines. We did initiate two new development projects during the second quarter both of which are expansions of existing properties. Each project is located on land parcels adjacent to existing communities that we already own.

In summary, while we still have a few months of the busy leasing season ahead of us, I’m encouraged with the performance and progress year-to-date. We continue to believe that the back-half of the year will play out in line with our expectations. We continue to capture great early benefits from our merger with Post in the area of operating expenses and G&A synergy, and improving pricing trends are now clearly evident. While new supply pressures are currently creating some headwind, our revenue management practices and the improvements made in the legacy Post portfolio operation are beginning to make an impact. Merger integration activities are essentially complete and we look forward to now executing on a fully consolidated platform.

We continue to believe that based on permitting data and projected new starts, as well as what we are seeing on the ground in our various submarkets, that we will see some moderation in new supply pressure in a number of our markets in 2019. With continued strong employment expectations, we’re optimistic that leasing conditions across our footprint will continue to see positive momentum.
I want to thank all of our MAA associates for their hard work through this busy summer season and their focus in not only serving our residents on a daily basis, but also completing the extra work and effort associated with wrapping up our conversion and consolidation activities associated with our merger.

That concludes my comments and I'll now turn the call over to Tom.

Tom Grimes

Thank you Eric and good morning everyone. Our operating performance for the second quarter came in as expected with building momentum in rent growth, continued strong occupancy and overall trends that support our outlook for the year.

The integration work on the operating platform was evident in our leasing during the quarter. We saw the blended lease over lease performance of the combined portfolio grow 3.3% in the second quarter which is 170bps higher than the first quarter and 90bps points higher than the same time last year. Encouragingly, Post blended lease over lease pricing was up 2.5% during the second quarter, which is a strong 210 basis points better performance than this time last year.

This steady positive trend in blended price drove our sequential average effective rent per unit up 1% from Q1 to Q2. This is the highest sequential increase we have seen since the Post merger.

This improving pricing performance is primarily the result of new lease pricing on the Post portfolio. Despite the fact that the Post submarkets are experiencing heavy new supply, we saw new lease over lease rates improve by a significant 350 basis points in the second quarter from the same time last year.

Expense performance continues to be a bright spot for both portfolios. While improvements in revenue management practices are just now showing up in pricing, our programs to more aggressively manage operating expenses have shown more immediate results. Overall expenses within the same store portfolio were up just 1.1% for the quarter.

Total expenses on the Post portfolio during the quarter were down 1.8%. That was driven by reductions in personnel costs, repair and maintenance expenses as well as property and casualty insurance. As a result, the second quarter operating margin on the Post portfolio improved another 90bps. This is on top of the 130bps improvement we made in the second quarter of last year. We are pleased to see the rent growth improvement which should further drive margin expansion in the Post portfolio.

July results show the continued benefit of our consolidated platform and momentum. Overall same store July blended lease over lease rates were up a strong 3.3%. Average daily occupancy for the month was 95.7%, we closed the
month 96.1% and will start August at 96.1%. Our 60-day exposure, which represents all vacant units and notices for a 60 day period, is low at 7.4% which sets us up well for the slower winter leasing season.

The supply picture is well documented. Currently, Dallas and Austin are facing the most pressure. In 2018, we expect 22,000 deliveries for Dallas and in Austin we expect 8,000 deliveries. We are encouraged that job growth has remained strong in both markets. Dallas job growth for the last 12 months was 3.4% and Austin job growth was 3.3%. These growth trends are strong and well ahead of nationwide trends. Looking forward, deliveries in our markets are expected to drop 18% in 2019 and with continued strong demand we expect the leasing environment to improve next year.

While elevated supply levels have pressured rent growth in several of our markets, particularly Dallas and Austin, we are still seeing good revenue growth in a number of our markets. Phoenix, Richmond, Orlando and Jacksonville stood out from the group.

Our focus on customer service and retention coupled with strong renter demand continue to drive down resident turnover. Move-outs by our current residents continue to remain low. Move-outs for the overall same store portfolio were down 2.7% for the quarter. Move-outs to home buying were down 4% and move-outs to home renting remains an insignificant cause for turnover and accounts for about 7% of our move-outs. On a rolling 12 month basis, turnover dropped to a historic low of 49.2%. This steady decrease in turnover was achieved while increasing renewal rents by 5.9%.

Momentum is building on the redevelopment program across the legacy Post portfolio. Through the second quarter, we have completed 1,400 units and expect to complete 3,000 this year. On average we are spending $8,700 and getting a rent increase that is 11% more than a comparable non redeveloped unit. As a reminder, we have identified a total of 13,000 Post units that have compelling redevelopment opportunity.

For the total portfolio, in 2018 we expect to complete over 8,000 interior unit upgrades. On the legacy MAA portfolio, we continue to have a robust redevelopment pipeline of 9,000 to 12,000 units. On a combined basis with the legacy Post portfolio, our total redevelopment pipeline now stands in the neighborhood of 22,000 to 25,000 units.

Our active lease-up communities are performing well and in line with our expectations. Our remaining pipeline of lease-up properties, Acklen West End, The Denton II, Post Midtown, Post River North and Sync36 are all on track to stabilize on schedule. The stabilization date for Post South Lamar II was moved up a quarter to the third quarter of 2018 as it leased up faster than we originally planned.
We are pleased to have the merger integration winding down. I am proud of the effort and hard work our team has put in over the last 18 months. The results are progressing as we expected. We are looking forward to continuing to capture value creation opportunities on both the revenue and expense sides of the equation as we move forward.

Al Campbell

Thank you Tom and good morning everyone. I’ll provide some additional commentary on the company’s second quarter earnings performance, balance sheet activity, and finally on guidance for the remainder of 2018.

Net income available for common shareholders was $0.52 per diluted common share for the quarter. FFO for the quarter was $1.55 per share, which was $0.07 per share above the mid-point of our guidance.

Our core (or Same Store) earnings results were in-line with our expectations for the quarter. Same Store revenue growth for the second quarter was primarily based on Effective Rent Growth of 1.7%, which was encouragingly 30bps above our reported growth in the first quarter. Average occupancy for the second quarter also remained strong at 96.0%, but was 10bps below the prior year, slightly offsetting rent growth. You may recall, our first quarter revenue performance was enhanced by a 30bps year over year increase in occupancy, primarily built to support stronger pricing during our busiest leasing season. Perhaps most importantly, as mentioned before, our blended lease-over-lease pricing growth for the second quarter (new and renewal leases combined) was 3.3%, which provides continued support to the momentum projected over the back half of the year. Combined with the strong 1.1% expense performance, as Tom mentioned, Same Store NOI was 1.7%, in line with our forecast expectation.

Favorable FFO results for the second quarter were primarily produced by an unexpected settlement of a life insurance policy acquired with the Post merger ($0.04 /share), favorable G&A and interest expenses for the quarter ($0.02/share combined), and finally, favorable timing of some remaining integration expenses ($0.01 per share). Our total expectation for integration expenses for the year remains unchanged, as certain costs will now be incurred in the third or fourth quarters.

We also had $2.8 million of non-cash income during the quarter related to the valuation of the preferred shares, which essentially offset the $2.6 million of non-cash expense recorded during the first quarter, making the full year impact insignificant, in-line with our previous guidance. As a reminder, due to uncertainty in forecasting this non-cash item, our projections do not include any impact from valuation adjustments in our full year guidance.
During the second quarter, we closed on the acquisition of one new high-end community, the 374-unit Sync36 located in Denver, which included a land parcel to develop an additional 79 units. We expect to begin the additional units during the third quarter, which will bring the projected total investment in the community to $128 million. Once the final phase is fully completed and leased, we expect a 5.6% NOI yield on this total project.

We also continued to monetize non-core land parcels acquired with the Colonial merger. We closed on the disposition of a 29 acre land parcel located in Las Vegas during the quarter. MAA received total proceeds of $9.5 million from the sale, producing a recorded gain of $2.8 million during the second quarter. This brings total non-core land sales for the year to three parcels (all acquired in the Colonial merger) containing 66 acres, for total net proceeds of $15.2 million, and recorded gains of $2.9 million for the year.

During the second quarter, we began the construction of two expansions of existing communities, Post Parkside at Wade Phase III, located in Raleigh, and Post Sierra at Frisco Bridges Phase II, located in Dallas. We now have four communities under construction with a total projected cost of $219.8 million, of which $97 million remains to be funded. Once completed and fully leased, we expect a stabilized NOI yield of 6.2% for the portfolio.

As Tom mentioned, our lease-up portfolio continues to perform well. At the end of the quarter we had six communities remaining in lease-up, including Sync36 which was acquired in lease-up during the quarter. Average occupancy for the group was just over 75% at quarter end, and we expect two of the communities to achieve full stabilization during the third quarter (90% occupancy for 90 days), two more are expected to stabilize during the fourth quarter, and the remaining two to stabilize in the first half of next year, which will provide a growing contribution to our 2019 earnings stream.

Our balance sheet remains in great shape. During the second quarter, we issued $400 million in ten year senior unsecured notes at a 4.2% coupon rate. The proceeds from this issuance were used to pay down borrowings under our unsecured credit facility, bringing our combined cash and available borrowing capacity to $920 million at quarter end. Our leverage, as defined by our bond covenants was only 33.1%, while our Net Debt to Recurring EBITDA was just over 5 times at quarter end.

Finally, given the strong second quarter performance, we are maintaining and confirming our Same Store guidance for the full year, as both revenue and expense trends continue to be in-line with our previous projections. Expectations for the remainder of the year are built on continued strong occupancy (96% average for the remainder of the year) and blended lease pricing (combined new and renewal leases) averaging about 2.2% for the remainder of the year, which compares well to recent trends.
We are increasing our Net Income and FFO/share guidance ranges for the full year to reflect the items mentioned earlier. We are also slightly narrowing our earnings guidance range to reflect the reduced uncertainty following two quarters of performance for the year.

In summary, net income per diluted common share is now projected to be $1.85 to $2.05 for the full year 2018. FFO is projected to be $5.96 to $6.16 per share, or $6.06 per share at the mid-point, which includes $0.08 per share of projected final merger and integration costs related to the Post merger. AFFO is now projected be $5.35 to $5.55 per share, or $5.45 at the mid-point. For the third quarter, FFO is projected to be $1.45 to $1.55 per share, or $1.50 per share at the mid-point.

We continue to remain on track to capture the full $20 million of overhead synergies related to the Post merger, as well as other NOI and earnings opportunities outlined with the merger, which are reflected in our current guidance.

That’s all we have in the way of prepared comments, so Priscilla we will now turn the call back to you for questions.