

**Mid-America Apartment Communities, Inc.**  
**Conference Call 4Q10**  
**February 4, 2011 9:15 AM (Central)**

**Leslie Wolfgang**

Good morning. This is Leslie Wolfgang, Director of External Reporting for Mid-America Apartment Communities. With me are Eric Bolton, our CEO, Al Campbell, our CFO, 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 will be available on our website.

I'll now turn the call over to Eric.

**Eric Bolton**

Thanks Leslie. We appreciate all of you joining our call this morning.

Positive trends in leasing fundamentals continued in the fourth quarter with both same store results and FFO performance stronger than we expected. We continue to be very encouraged by operating performance with historically low resident turnover, high occupancy and steady recovery in pricing. Leasing conditions are robust and momentum continues to grow across the portfolio.

Pricing on new resident lease transactions in January grew by just over 7% as compared to January a year ago. Pricing on lease renewals was up almost 4.0% when compared to the prior in-place lease. As pricing for new residents continues to move higher, we expect to see increasing momentum in renewal pricing in 2011.

Fourth quarter performance from our secondary markets continued to slightly outpace the results from our large market group. While our secondary markets, comprising approximately 40% of the portfolio, have meaningful revenue upside to capture over the next year, we do expect that our large tier markets will begin to outpace the secondary market group as the recovery cycle builds momentum. A number of these larger markets were still working through supply issues last year and as a result have strong recovery prospects in 2011 and into 2012.

We're optimistic about the outlook for strong leasing conditions in our Texas markets of Dallas, Austin, Houston and San Antonio. Household formation trends in these markets are expected to outpace the national average by 100 or more basis points over the next three years. And with new supply deliveries running well below historic norms for these markets, we expect solid leasing conditions will persist for a while. Some of our other

large tier markets that are expected to be strong performers for us in 2011 are Raleigh/Durham, Tampa and Jacksonville. We also see leasing conditions firming in Atlanta with new deliveries down very significantly and the employment market beginning to recover. Within our secondary market group, our properties in Little Rock, Greenville, Columbus, and Memphis all continue to generate very solid performance and are expected to capture steady rent growth during 2011.

Al will provide more details regarding the 2011 forecast, but in general our expectation is for same store NOI growth in the range of 4% to 6%. Revenue growth will largely result from an increase in pricing. In addition to overall market improvement, we have a number of initiatives underway that we expect will also support pricing performance including an expanded unit interior renovation program, the roll-out of a new call center operation that we believe will drive higher leasing traffic, and a number of enhancements that we will be introducing to our on-line leasing and lease renewal capabilities. On the expense side we're forecasting an increase in the 3.5% to 4.5% range. Our biggest worry beads with operating expenses are utility costs and real estate taxes as a number of state and local taxing authorities are facing stress in meeting budgeted funding needs. We're gearing up to aggressively manage this area of expense but won't really have a definitive read on the 2011 tax bills until later this year.

We remain very active on the transaction front with a number of deals currently under review. Our initial expectation for 2011 is built on completing \$200 million of new investments on a wholly-owned basis and \$150 million of investments for our Fund II joint venture. While the acquisition market remains competitive, we're optimistic that our long-established network and relationships within the region, our record of disciplined due diligence and success in closing, and our ability to move in a very expedient manner, will enable us to capture a material amount of new growth in 2011 relative to our current balance sheet size.

While we are looking at a number of existing properties for acquisition, we are also considering several new development opportunities and you will likely see us announce another development deal or two this year, however, and our external growth will largely remain focused on buying existing communities.

As outlined in our earnings release, the initial FFO guidance for 2011 is a range of \$3.80 to \$4.10 per share. It's important to note that in this guidance we're carrying \$0.10 of FFO dilution from new lease-up properties that will become accretive for 2012 earnings and beyond. We are also taking steps in 2011 to further protect future earnings and the balance sheet to rising interest rates by bringing on more fixed rate financing. It's clear that we have solid earnings momentum developing within our existing portfolio and we're optimistic about the new growth opportunities we're currently evaluating. We continue to believe that MAA is very well positioned for the emerging recovery cycle.

That's all I have in the way of prepared comments and Al will now give you some more details on our fourth-quarter results and guidance for 2011. Al.

## **Al Campbell**

Thank you Eric, and good morning everyone. We reported FFO results of \$0.95 per share for the fourth quarter, which was 3.3% above the prior year and \$0.02 per share above the mid-point of guidance. Same store NOI performance was better than expected, growing 2.2% for the quarter. This produced about \$0.04 per share of favorable performance, which was partially offset by \$0.02 of additional acquisition expenses incurred during the quarter, as the investment pace exceeded projections.

Physical occupancy for the same store portfolio ended the year at 95.8%, putting us in great position to capture additional pricing opportunities in 2011. Resident turnover reached a historical low of 54.5% during the quarter, as we continue to see few move-outs for home buying, representing only 17% of units turned during the quarter. The positive pricing trends that Eric mentioned continue to work through the portfolio, which is producing an increasing impact on revenue performance as a larger portion of units are priced at current market rates. The average effective rent per unit, which represents the value of in-place leases, grew 30bps over the prior year, but more importantly, grew 90bps over the third quarter, reflecting the growth trend.

Operating expenses remained well under control during the fourth quarter, increasing only 1.8% over the prior year. Our personnel expenses remained flat for the quarter, while increases in utilities and landscaping expenses, were partially offset by declines in repair and maintenance costs, and real estate tax and insurance expenses for the quarter. As Eric mentioned, the major unknowns in our expenses for 2011 are utility costs and real estate taxes. We will bill-back the majority (~75%) of the utility costs to our residents, but this will be reflected in our reimbursement revenues for the year. We also expect some upward pressure on real estate taxes, as certain states begin to increase valuations and/or millage rates in 2011. We've included an increase of just over 4% in our current forecast, which we believe is adequate at this point. We expect to know more in the second and third quarters, as we begin to receive our bills and assessments for the year.

We remained fairly active in the capital markets during the fourth quarter. We raised \$58 million through our ATM program, at an average net price just over \$60 per share. The proceeds were primarily used to fund the equity portion of our acquisitions and development projects, and at year-end we had 5.0 million shares remaining for issuance under our current program.

We continue to protect and improve our balance sheet, looking to ensure we have access to the best and lowest cost financing available. We ended the year with debt-to-gross assets at 48.8%, which is 150bps below the prior year. We also increased the interest rate protection on outstanding debt, ending the quarter with about 85% of our debt fixed or hedged, which was 350bps above the prior year. Our fixed charge coverage ratio also continued to improve, reaching 3.4x during the fourth quarter, well above the prior year and the sector median.

Our debt maturities for 2011 are very manageable, with \$100 million maturing in July and another \$80 million maturing in December. We've been very encouraged by the continued improvement in the debt markets over the last several quarters, as more providers are beginning to enter the market. We have already begun the process of replacing the July maturity, and expect to replace both maturities during the year with fixed rate debt at interest rates averaging 5% to 5.5%.

As outlined in our release, we are providing initial 2011 FFO guidance in the range of \$3.80 to \$4.10 per share, which is 10.6% above the 2010 reported FFO per share and 4.8% above FFO adjusted for the non-routine items during 2010 (preferred share redemption and asset impairment charge). The 2011 guidance is based on expectations of maintaining strong occupancy, with continued pricing momentum through this year. We are projecting same store NOI growth to be in a range of 4% to 6% range, which is based on revenues growing 4% to 5% for the year, net of cable.

As Eric mentioned, we expect the acquisition pace to continue in 2011, and we also plan to invest about \$40 million in development projects and to dispose of \$40 to \$50 million in assets and during the year. Consistent with recent practice, we plan to fund the equity portion of these growth plans through the existing ATM program, and we expect to end the year with debt-to-gross assets in the 46% to 48% range. Given these plans, our equity needs for 2011 are projected to be in the \$90 to \$100 million range.

It's important to note that the projections for 2011 include continued investments in both our portfolio and balance sheet, which position the company for future strength, but cause some current year dilution. We project about \$0.10 per share combined dilution from our lease-up assets, as they continue to become productive, and development projects, as we begin to take unit deliveries during the second half of the year. We also plan to continue increasing our interest rate protection during year by adding more fixed rate debt, expecting to end 2011 with 90% of our debt fixed or hedged, compared to the 85% at the end of 2010. This adds another \$0.03 to \$0.04 cents per share in dilution for 2011, which is included in the current forecast.

We remain committed to supporting a steady and growing dividend for our shareholders. As you saw during the fourth quarter, our Board voted to increase the quarterly dividend to \$0.6275 cents per share. The forecast for 2011 is based on this annual rate of \$2.51 per share, representing a 64% payout of FFO at the mid-point of our guidance range, which remains below the current sector median.

That's all we have in the way of prepared comments.