Annual Report 2000

Mid-America Apartment Communities, Inc.

Bringing Sound Investment Home

IN THE PAST FEW YEARS, THE DOT-COMS DISTRACTED many investors from a proven truth on which this country's economic prosperity has long been built: hard work, discipline and sound principles lead to solid, steady growth in intrinsic value and real cash flow. Here at Mid-America Apartment Communities, we never lost sight of our original goal – to provide a solid *true return* by increasing intrinsic share value coupled with a safe, growing cash dividend. By steadily building an award-winning portfolio, maintaining that portfolio to the highest standards, and creating a sense of community for resident customers and employee associates alike, Mid-America has succeeded in bringing sound investment home – year after year. Trends come and go, but sound investments built on the foundation of a solid true return will be standing long after the latest fads have run their course. With a true return of 18.9 percent compounded annually since our initial public offering in 1994, Mid-America brings sound investment home for investors who benefit from our 24 years of unbroken success in the apartment business.

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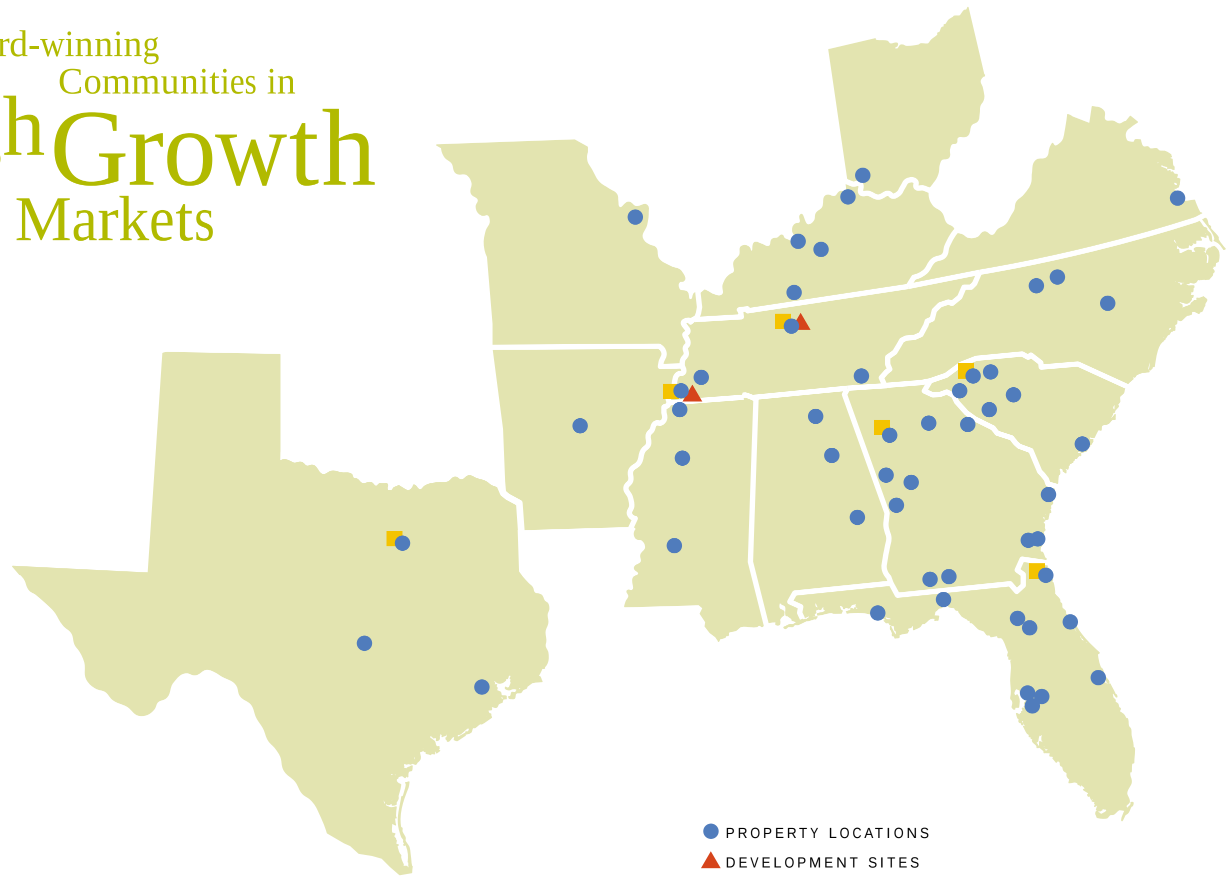
Award-winning Communities in High Growth Markets



34,025 APARTMENTS IN 13 STATES

(including 413 units still under development)

The largest portion of Mid-America's portfolio (70 percent of our units) is held in Tennessee, Texas, Georgia and Florida, giving us more properties in accelerating markets than any apartment REIT in the nation, according to one independent analyst. Geographical dispersement and equal positioning in large, medium and small markets protect your investment from threats in any given geographical market, and our apartments are more predictable and secure than other real estate classes.

TENNESSEE Mid-America's holdings are diversified throughout the state, benefiting from strong demographic trends in each of its home state markets: Memphis, Nashville, Chattanooga and Jackson.

TEXAS We have concentrated our ownership in and near Texas' three prospering growth areas — Dallas, Austin and Houston, currently some of our stronger markets.

GEORGIA An excellent diversity of communities throughout the state, from the high growth suburban areas of the Atlanta metro, to the solid mid-sized cities (Savannah, Macon, Columbus, Augusta), to several steady smaller cities (Valdosta, Brunswick, Thomasville, LaGrange).

FLORIDA We are growing and thriving in most of the strong market areas of Florida, including Jacksonville, Tampa, Tallahassee, Orlando, Daytona Beach, Melbourne and others.

EXISTING LOCATIONS

ALABAMA
Birmingham
Huntsville 2
Montgomery

ARKANSAS
Little Rock 3

FLORIDA
Daytona Beach
Gainesville
Jacksonville 9
Lakeland
Melbourne
Ocala
Orlando
Panama City Beach
Tallahassee
Tampa Metro 4

GEORGIA
Athens
Atlanta Metro 6
Augusta 3
Brunswick
Columbus 2
LaGrange
Macon/Warner Robins 4
Savannah
St. Simons Island
Thomasville
Valdosta

KENTUCKY
Bowling Green
Florence
Lexington 4
Louisville

MISSOURI
St. Louis

MISSISSIPPI
Grenada
Jackson 7
Southaven 2

NORTH CAROLINA
Greensboro
Raleigh
Winston-Salem

OHIO
Cincinnati

SOUTH CAROLINA
Aiken 2
Anderson
Charleston
Columbia 2
Greenville 5
Spartanburg

TENNESSEE
Chattanooga 4
Jackson 5
Memphis 10
Nashville Metro 3

TEXAS
Austin 4
Dallas Metro 7
Houston Metro 4

VIRGINIA
Hampton

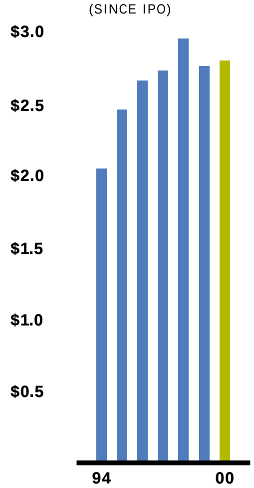
ADDITIONAL DEVELOPMENT COMMUNITIES
Memphis, TN
Nashville, TN

TRAINING CENTERS
Atlanta, GA
Dallas, TX
Greenville, SC
Jacksonville, FL
Memphis, TN
Nashville, TN

The Paddock Club in
Panama City Beach, Florida

Dollars in thousands, except property and per share data	Years Ended December 31 1998	1999	2000
Total revenues	$ 215,543	$ 226,322	**$ 224,640**
Property operating expenses (excluding depreciation and amortization)	79,917	84,885	**83,446**
Net income	26,757	33,572	**29,787**
Funds from operations	63,939	59,714	**57,456**
Funds from operations per share (Basic)	2.95	2.76	**2.80**
Dividends per share	2.20	2.30	**2.32**
Weighted average common shares, diluted	18,770	18,808	**17,597**
Weighted average shares and units, diluted	21,764	21,817	**20,551**
Real estate owned, at cost	1,434,733	1,396,743	**1,430,378**
Investment in real estate joint venture	—	8,054	**7,630**
Total debt	753,427	744,238	**781,089**
Shareholders' equity and minority interest	578,710	519,944	**485,376**
Market capitalization (shares and units)	$ 670,123	$ 639,095	**$ 634,903**
Number of properties with ownership interest	129	129	**124**
Number of apartment units with ownership interest	33,831	33,901	**33,612**

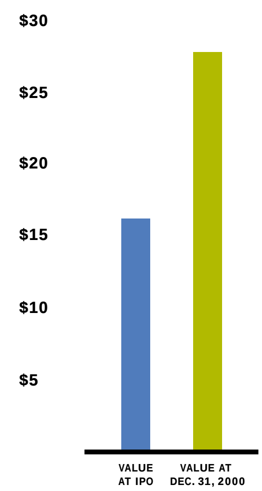
FUNDS FROM OPERATIONS PER SHARE – BASIC (SINCE IPO)



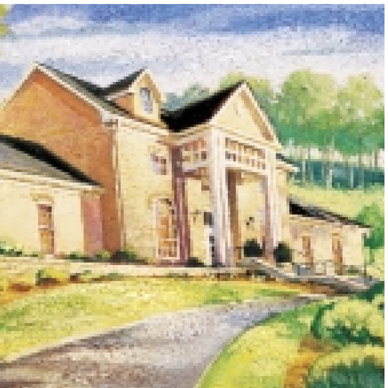
DIVIDEND PER COMMON SHARE

Mid-America shareholders currently enjoy an annual dividend rate of $2.34 per share.

INTRINSIC VALUE GROWTH



True return of 18.9% since IPO (value growth plus cash dividend paid)



Pictured on the cover:

Grande View in Nashville, Tennessee

The first year of the new century was a year of great progress for Mid-America Apartment Communities (MAA-NYSE). We near completion of the $300 million new development pipeline which began in 1998. As each new unit is "stabilized"[1] we add to both share value and earnings. Independent estimates of our value, which we believe to be conservative, are typically 10 to 20 percent above where our shares are now trading.

- 1,147 new units brought on line for leasing; nearing full production
- Necessary funding in place for all remaining new development
- Sold 1,902 units; part of proceeds used to repurchase shares, adding value
- Portfolio quality outstanding, judged independently
- Further strengthened high dividend safety
- Exposure to floating rate debt variability reduced to modest level
- Continued rapid growth of ancillary revenue

FAD[2] and FFO[3] each resumed their growth (per share for 2000: FAD $2.19; FFO $2.80). As each new unit is completed, its interest cost is expensed, thus pressuring short-term earnings until the unit is leased. That was the primary reason for the slight single-year (1999) earnings reduction induced by the most concentrated output of new development. In large part we have avoided the dangers of overbuilding, sharply curtailing new development two years ago, now with only $17 million remaining to be finished in 2001.

Our primary southeastern and south central markets continue to be among the largest job generators in the country, and job formations are the main driver of apartment demand. Occupancy averaged a solid 94.8 percent for the entire year. This was accomplished despite growing market pressures from a mild excess of new supply over underlying demand.

The general, long range demand for apartments is unusually good. "Echo Boomers" – the children of Baby Boomers – are arriving at that age where they find their first places to live; apartments will be the No. 1 probability for most. The prospects are excellent for good and strengthening demand for our apartment homes during the coming decade. We are well positioned to take full advantage of this fine prospect.

Ancillary income growth and the innovative use of technology (with no Mid-America capital at risk) continue as a large, growing part of our strategy. Ancillary income grew by 50 percent in 2000 and the prospect for continuing long-term strength in this area is very good – although 2001 is expected to be relatively quiet as we replace a broadband provider who was unable to deliver on their promises with a proven one. Water submetering continues to repay our major investment handsomely; we received almost $3 million in water cost reimbursements in 2000, to grow yet again in 2001.

Since late 1999, we have repurchased more than 1.8 million of our common shares at an average price well below the underlying intrinsic value of each share (as measured by both ourselves and independent analysts). Repurchases will continue for as long as we are able to (a) sell assets at attractive prices and (b) use the proceeds to buy stock at a significant discount to its intrinsic value.

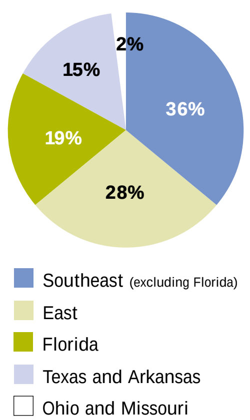
From left, George E. Cates, Chairman and CEO; H. Eric Bolton Jr., President and COO; and Simon R. C. Wadsworth, Executive Vice President and CFO.

Our dividend is safe, well protected, and has grown each year. Our balance sheet is strong and becoming ever more so. Great strides were made in 2000, as detailed in this report. We fixed the interest rate on almost 90 percent of our debt (overall average rate now only 7.1 percent), effectively eliminating most of our exposure to interest rate variability while simultaneously increasing portfolio management flexibility.

Recurrent capital spending for normal ongoing needs is stable and predictable, continuing at about $400 per unit per year. Our portfolio is in top condition – attested to independently, as we continue to win more third party awards and recognition for portfolio excellence than do other apartment REITS. As we added $300 million of newly developed units since 1998 while selling $195 million of existing units, the average age of our assets is now about 11.1 years, among the newest in the apartment REIT business[4]. Another testament to our prudent use of capital: return on assets (ROA) at 8.8 percent was once again above our peer average.

Our strategic target is to provide a true return[5] compounding in the mid-teens, a doubling of investment each five years, by increasing the underlying intrinsic value of each share[6] coupled with a solid and growing cash dividend. We continue to do so. Since our initial public offering (IPO) in 1994, our true return has compounded at 18.9 percent annually. For the past five years, true return slipped below target to 11 percent, for a good and temporary reason: as we added the $300 million of new development, there was an inescapable period of about three years (construction, pre-leasing and marketing, and steady move to unit occupancy) in which that major investment did not yet add to share value or cash flow.

DIVERSIFIED PORTFOLIO



We are now arriving at the stage in which we capture both the value and the cash flow from the development pipeline. As a consequence, and by plan, we expect our true return to accelerate to target levels.

With the same proviso about new development's interim impact for the past three years as noted above, other measures of our strategy's success have also been acceptable. FAD growth plus dividend yield per share has compounded 14 percent since IPO and 12 percent for the latest five years. FFO growth plus dividend yield per share has compounded 13 percent annually since IPO and 11 percent for the past five years. Our market return (change in MAA market price plus dividends, commonly referred to as "overall return") was 9.9 percent for 2000 and 7 percent compounded annually for the latest five years. Our true return continues to go largely unrewarded in the public market place.

Open Arms served 131 families (for 8,372 nights) by providing fully furnished apartment homes for family members amidst extended medical crisis. Coupled with an extensive array of other community service activities, Mid-America was recognized by *Multifamily Executive* magazine in 2000 with its National Community Service Award, as America's No. 1 real estate company in providing community service.

Your distinguished independent directors (listed on page 20) provide sustained excellence, commitment, and constructive leadership on your behalf. There can be no finer board in our industry. Their unrelenting focus on increasing intrinsic share value and assuring the growth and safety of our dividend is fundamental to our continuing progress and success in meeting those objectives. Insider purchases continued again in 2000, with insiders as a group now owning 16 percent of company equity.

A key component of our succession plan, previously announced, is that Eric Bolton becomes CEO in September 2001. George Cates will remain as Chairman of the Board. This succession has been long planned and is in keeping with our commitment to bringing sound investment home.

Your company is in fine shape. Our dividend is secure, and has grown each year. The underlying intrinsic, real value, of each share is well above our market price, and rising. Our strategy is sound and producing its intended results. Perhaps the public market is beginning to acknowledge these strengths and accomplishments; MAA's overall market return for 2001 year to date, at this writing, is near the top of our 11-company peer group. In the meantime and as we await greater recognition of the created value and cash flow, we can continue to enjoy a solid true return, of which the majority is hard cash.

George E. Cates
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

H. Eric Bolton Jr.
PRESIDENT AND
CHIEF OPERATING OFFICER

[1] Construction completed, and leased to 90+ percent occupancy
[2] FAD is Funds Available for Distribution, a reasonable proxy for cash flow. FAD is computed by deducting recurring capital costs from FFO.
[3] FFO is Funds From Operations: Net Income before gain or losses on real estate sales, minority interest in operating partnership income and extraordinary items, plus depreciation and amortization related to real estate assets.
[4] Throughout this report, "business" or "peers" refers to our peer group – those 11 apartment REITs which, like ourselves, own and manage 25,000 or more units. Five of these companies have the majority of their units in the southeastern U.S. and Texas, as do we – we refer to them as our "regional peers".
[5] "True return" is the compounded growth in intrinsic value per share plus cash dividend paid.
[6] Two predominant ways of doing so are "NAV" (net asset value) and "NPV" (net present value, which we believe gives a truer picture).

The Paddock Club in Panama City Beach, Florida

Mid-America Apartment Communities brings sound investment home with a portfolio that includes the largest proportion of properties in accelerating markets of any apartment REIT in the nation, according to one independent analyst. Over the last few years, we have continuously and significantly increased the quality of our portfolio as we sold hundreds of older units and replaced them with newly developed apartment homes. At 11.1 years, Mid- America's average portfolio age is among the newest in the business. We continue to add new units ($300 million in the past three years) while each year selling or exchanging properties where the assurance of continued success is waning, just as we have done each year for many years.

GREAT PLACES TO LIVE

Mid-America owns or has substantial ownership interest in 34,025 quality apartment units throughout the southeast, south central and Texas, including 413 units remaining in the development pipeline. These are not just apartment units – they are communities. Our mission is "Creating Great Places to Live". We strive to offer locations, basics and amenities that will attract prospective customers interested in making our apartments their home. Quality architectural features add to the overall atmosphere and appeal of Mid-America communities. Award-winning landscaping creates a garden-like ambience. As an investor, you are assured that your investment is not only sound, but also one you can feel good about. Mid-America owns and manages apartments that you would gladly recommend to friends and family – and that's something we're proud of.

DAY-TO-DAY INVOLVEMENT

We understand that good location and beautiful curb appeal are the initial attraction for our prospective customers, but we take our commitment to solid assets and great places to live one step further. As a skilled and experienced practitioner now in our third decade, Mid-America realizes the importance of quality management and personal involvement in our apartment communities to increase value and retention. While it may be the location and curb appeal that initially attract our customers, it is our ongoing maintenance and the extra amenities we offer that encourage their extended stay with us, thus reducing our unit turnover costs. Mid-America's apartment communities are beautifully designed and maintained. Our professionals are among the best in the business, and we stand behind our maintenance policies so strongly that we offer our residents a Move-In Satisfaction Guarantee and a 24-Hour Maintenance Guarantee. If a new resident is not completely satisfied with management, maintenance or landscape care, they may notify management within 30 days of their move-in and their application fee and deposit will be refunded. Likewise, if at any time we fail to satisfy a routine maintenance request within 24 hours, we will credit the resident's rent for each day the problem remains unresolved. Guarantees like that are extremely rare in our industry and serve to attract discerning customers.

The hard, intelligent work of our professional staff consistently wins independent, third party awards for Mid-America communities. As one of many examples, in 2000 we were named Property Management Company of the Year in Lexington, Ky. Other awards and recognition are summarized on page 21. These, the latest in a long list of such recognition for Mid-America, represent the continuation of unequalled independent recognition for portfolio and management excellence among apartment REITS.

Our high quality portfolio continues to earn more independent awards and recognition than other apartment REITS. Reinvestment in our communities, including our commitment to superior landscaping, contributes to portfolio excellence. We anticipate recurring capital spending to stabilize at $400 per unit, with no pressure to increase. Favorable asset sales are also facilitated by the choice condition of our properties.

THE VALUE OF PEOPLE

Our residents can become part of a true community at Mid-America. We strive to care for them in ways not matched by others. When ready to purchase a home (the No. 1 reason that our customers leave us), residents who have been with us for at least three years may earn $1,000+ of down payment assistance through our First Down program. The resident loyalty and reduced turnover gained far offsets the program's cost...a win-win for our customers and our owners.

Excellence of our professional staff is the core reason for our successes of the past 24 years. We value highly their contributions in causing this success, and do all that we can to attract and keep the best in the business. By offering attractive benefits and great working conditions, we empower our employees to take a personal interest in their jobs and the apartment communities they manage. Our internal training staff directs state-of-the-art seminars and creates videos and online, interactive courses in our regional training centers, as well as at the communities themselves. This assures a more personalized approach to each employee's increasing skill levels, and is one of the reasons for our steady productivity uptrend.

"Creating Great Places to Live" extends beyond the borders of the apartment communities where our residents live and our associates work. Involvement with the surrounding, larger community makes us better neighbors and increases the sense of home and family within each apartment community. That is one reason we created Open Arms, a program in which we provide housing and care to families in medical crisis and distress, who require long-term medical treatment at great distances from their homes. Fully furnished apartments, telephone and television are provided without charge to qualifying families. Each caring Mid-America property staff gives comfort to those in need at such time of crisis in their lives. Local hospitals cooperate with Open Arms by supplying referrals of families. Neighboring businesses, churches and individuals often provide groceries and other help. What began as our sole corporate charity has emerged as an industry leading service. In 2000, 31 Open Arms homes located in 25 cities and 12 states helped 131 families. This program is one of the many reasons we were awarded the National Community Service Award for 2000 from *Multifamily Executive* magazine. An investment in Mid-America is more than financially sound – it is an investment that touches peoples' lives in a positive way, bringing home the principles that are the foundation of great communities and great businesses.

SOLID FINANCIAL STRATEGY

Our financial strategy focuses on increasing the underlying intrinsic value of each share while also providing a safe, growing cash dividend. Capital spending is managed in a disciplined manner, contributing to the underlying strength of our award-winning portfolio. The superior condition of each property also helps to facilitate property sales at attractive prices when that becomes appropriate. Overall, Mid-America can be characterized as strong, safe and solid. Our high dividend yield and sound prospects for intrinsic value growth, coupled with the moderate risk demonstrated by our long years of unbroken success, provide investors with a reasonably predictable, true return (growth in intrinsic value per share, plus cash dividend paid) in the mid-teens. Mid-America stock represents solid value.

With a geographically diverse portfolio in traditionally stable, high job formation markets (presently including the country's top two), we are poised to take advantage of the Echo Boom demographics – the probable and highly favorable impact of the children of the Baby Boom generation as they now come of age and seek quality service and amenities in rental homes. Mid-America's award-winning apartment communities are ready to meet their needs and high expectations and should benefit from this demographic probability in the coming decade.

Our $300 million new development pipeline nears completion. Units now leasing include Grand Reserve, Lexington, Ky.; The Reserve at Dexter Lake Phase II, Memphis, Tenn.; Kenwood Club, Katy, Texas; and Grande View, Nashville, Tenn. With steadily increasing stabilization, we continue to gain considerably more balance sheet flexibility while adding to share value.

Our $300 million new development pipeline, mostly put in place in 1998-2000, nears completion and is beginning to contribute significantly to our underlying intrinsic value per share. As these new developments steadily move toward "stabilization" (90+ percent occupancy), our balance sheet gains further flexibility and earnings grow from the contribution of each new unit leased. Construction should be complete on all but one of our new development communities by late summer, 2001. We foresee modest but accelerating up ticks in FFO per share throughout 2001 and beyond as the pipeline becomes steadily more productive.

No areas have shown sustained job growth over long decades as much as our primary southeast, south central and Texas markets. A buy-side analyst reported recently that Mid-America has a larger proportion of its portfolio in accelerating (improving) markets than does any other apartment REIT. Geographical dispersion and balanced positioning in markets with large (2+ million), medium (1-2 million) and small (typically 500,000-750,000) populations spread risk and cushion our investments from threats in any given geographical market. Apartments are also more predictable and

Terraces at Towne Lake in Atlanta, Georgia

Grand Reserve in Lexington, Kentucky

stable than other real estate classes, adding to the safety of our shares and dividends.

FLEXIBLE OPERATING TACTICS

Our strategy focuses on the best tactics at any given time in the real estate cycle. We remain flexible in order to take full advantage of optimum opportunities at any point. Mid-America was the first REIT to acquire another publicly traded REIT. We acquired properties aggressively when such acquisitions added to share value and earnings; subsequently, we were among the first to de-emphasize acquisitions when that tactic had run its productive course. When new development opportunities were abundant, we added $300 million of new apartments which should now add significantly to intrinsic share value. Solid development opportunities later waned and we consequently reduced development, trimming development and construction overhead by over $5 million in the process. We were among the earliest to implement a significant share repurchase program, adding materially to share value, with over 1.8 million shares repurchased since late 1999. At $1.4 billion of total market capitalization, the company is big enough and sufficiently concentrated to take full advantage of quantity purchasing opportunities, yet small enough to retain flexibility and ample upside potential. Size for its own sake is not and has never been a company objective. With our conservatively managed balance sheet, structured to assure ample coverage of all obligations, we have the capacity to execute attractive opportunities which fulfill our strategy. We are not obliged to sell assets to fund new development and are capable of implementing those opportunities that best fulfill our overall objectives…steady growth in both intrinsic share value and cash flow.

Providing extra touches helps assure that Mid-America will continue as a premier operator and a fundamentally sound investment. Our apartment communities are beautifully designed and landscaped to our award-winning standards. Architectural amenities add to the quality and value of our communities as “Great Places to Live.” And unique maintenance and move-in satisfaction guarantees contribute to resident customer retention.

ANCILLARY INCOME

We also focus intensely on ancillary income growth, which has doubled annually for the last three years and was up 50 percent in 2000. Our ability to provide more services and features relative to the competition provides us important advantages. Not only are resident offerings expanded, but internal processes and systems also benefit, increasing productivity and profit. An example is the huge gain from our investment in water submeters. At year-end 2000, we had 21,880 submetered units and earned $2.8+ million in water cost reimbursements, 34 percent above 1999. An additional 6,207 units will be added to this vitally important program in 2001. We also offer attractive packages for phone and cable access, adding to our already solid operating margins with little or no capital investment.

Arrangements were completed in early 2000 with an established supplier of broadband services to provide a full scope of Internet services throughout our portfolio. We earned 3.8¢ per share of fees and revenue participation in 2000 with no capital outlay. By year end, however, we determined that our technology provider was unable to fulfill their commitment and the agreement was terminated. A replacement arrangement has already been announced. Though slowed for now, ancillary income should continue its rapid long-term growth. Our forward-thinking yet conservative approach to technology saved us the loss of any capital for these services, while adding materially to FFO per share in 2000.

CONTINUING THE TRADITION

In late 2001, Mid-America will see a change of command. H. Eric Bolton Jr., long-time president and chief operating officer will succeed George E. Cates as chief executive officer. This succession has been long planned and is in keeping with our commitment to bringing sound investment home. Eric understands and has contributed materially to the fundamental principles and culture which guide us. He will lead the company to continued, growing success. He has played a key role in making Mid-America what it is today and will continue and expand the tradition of leadership that Mid-America’s customers, associates and owners expect.

MID-AMERICA'S SENIOR EXECUTIVE TEAM ANSWERS KEY QUESTIONS

Q: Is the current dividend level safe?

A: Yes – and growing more so with each day. The cash flow coverage of our dividend is ample and steadily increasing. Each newly developed unit, when leased and occupied, adds cash flow and earnings growth. Each common share repurchased at a significant discount to underlying intrinsic value (a) removes its dividend payout obligation and (b) increases both value and earnings per share of the remaining shares. Strategic, profitable property sales in the normal course of business provide further cash for our general funding needs. Dividend coverage is sound and growing ever stronger.

Q: What earnings growth do you expect in the near future? Its primary sources?

A: FFO per share growth should return to its historic and sustainable norm (around 4 to 5 percent annually) over the next two or three years as new development "stabilizes" (see footnote, page 5). When coupled with our large and rising dividend, our overall true return should continue to average solidly in the mid-teens.

We correctly saw the new development peak and profitably downsized development and exited construction, capturing value and reducing overhead significantly in the process. Most developers now face large and growing risks. By contrast, most of our growth over the next two or three years will come internally from the steady, relatively predictable, and assured growth of cash flow and value from our existing 33,612 units, and from the new value and cash flow being added steadily from the nearly completed development pipeline now coming into full production.

Q: Comment on recent same store performance and prospects for the future. What overall conditions do you expect in your markets?

A: Over the long haul, we expect that our southeast, south central and Texas regions will continue to contain, as for many years, the country's strongest apartment markets. Apartment demand is tied to jobs – existing and created – and those areas remain the country's strongest (and not as prone to booms and busts as are some urban coastal markets). It's easier to build new product in our region; long term, that's another regional advantage since the cost of living is kept at far more attractive levels than in dense urban areas and anti-development parts of the country. We're amidst a period now in which new supply is growing slightly faster than demand, resulting in tougher apartment market conditions, which no one can avoid entirely. Even so, our performance remains above the norms in our chosen markets. We foresee revenue growth between 2.5 to 3.0 percent for 2001 with expense growth slightly higher (due primarily to pressures from real estate taxes, casualty and health/hospitalization insurance, and marketing expenses) at around 3.5 percent, for overall NOI (net operating income) growth between 2.0 to 2.5 percent.

Q: Is your financial leverage too high? What impact will the current economic environment and volatile interest rate markets have on the risk of your business?

A: We believe that our leverage (the proportion of our total capital which is debt) is at the appropriate level. Debt is only 53 percent of the total value of our company, far below the traditional real estate norm of 80 to 90 percent debt. Preferred stock adds an additional 12 percent fixed obligation. Total fixed obligations are only 65 percent of our total capitalization and require only 56 percent of our available cash flow, both very safe levels. The median leverage of our peer REITS is 55 percent, even including the development oriented REITS which are generally required by lenders to maintain lower leverage to compensate for the increased risks of development. We have steadily reduced the portion of debt bearing variable interest rates, now down to only 12 percent of our total debt, significantly reducing our interest rate risk exposure.

Q: How has the year 2000 reduction in capital outlays for the core portfolio affected asset quality? Is there any pressure for increased capital spending?

A: By having systematically maintained our portfolio to the highest standards – foremost in our industry with independent recognition of excellence each year – we have no pressures out of the ordinary to spend capital. Further, our average asset age has remained almost constant for the past year at 11.1 years as we have added new units while selling older properties (the capital needs of newer properties are very modest). Our portfolio is in its best condition ever, with no pressures to increase capital spending for the foreseeable future. Yet another indication of high asset quality is that our average rentals represent typically about 30 percent of disposable household income in our markets, in line with the comparable figure for other top end portfolios throughout America.

Q: Growing intrinsic value and true return continue to go unrewarded by the public markets. What tactics can you employ to unlock this value?

A: Of course, the only thing that we can directly control is the *creation* of that true return. We have added steadily to intrinsic value per share, accelerating now that the development pipeline is reaching completion. Tactically, the best way to capture our value presently is to sell assets whenever we can do so at attractive prices, and when, as now, we can also repurchase our own shares materially below their intrinsic value. We continue such transactions whenever we are reasonably assured that the dynamics of both sides of this transaction will add to the underlying value of each share. At this writing, we have resumed share repurchase during the first quarter of 2001.

Q: What impact will the completion of your development pipeline, expected early next year, have on your business? How has the development performed?

A: Upon its completion, and using traditional real estate valuation methodology, we will have added significantly to the value of the company – nowhere yet reflected either in our financials or by the public markets. As the pipeline is completed and "stabilized" (see footnote, page 5), cash flow, FFO and FAD (see footnote, page 5) all increase, and we gain considerable flexibility in both the asset management of our portfolio and the financial management of our balance sheet. These benefits increase throughout 2000 and beyond.

We expect the development pipeline to deliver a 9.5 to 10 percent yield once "stabilized", slightly below original plan but still quite satisfactory. We would have met our targets except for a relatively modest increase above budgeted construction cost, and marketing and concession costs which materially exceeded plan as several target markets became overbuilt. All in all: with very few exceptions, we would have invested the $300 million just as we did, since problems were inherently short term in nature (and now virtually entirely behind us) and the long term value capture was our primary long term strategic objective – and is being achieved.

Q: How do you expect the early 2001 termination of your agreement with a high-speed Internet provider to affect your business and your residents? What now are your plans for providing this service?

A: Unlike many apartment REITS, we placed none of our capital at risk on unproven technologies. In fact, we earned over $700,000 of cash fees from our would-be provider before they became unable to deliver the promised services. Part of our strategy is to offer a broad range of high speed Internet-related services to our resident customers – without placing our capital at risk – and we expect to fulfill that strategy. We recently announced a highly qualified replacement provider for about two-thirds of our portfolio, and will not rest until we're able to offer these services to all of our customers. We earned about 3.8¢ per share from the terminated provider in 2000. We do not expect to replace that revenue during 2001, but it should begin to rebuild in 2001. Despite this temporary setback, ancillary income revenue – a key strategic objective – should continue its rapid progress, though at a slower pace than the 50 percent growth of 2000.

Q: In a recession economy, what strengths will sustain the company and could position it to take advantage of economic and real estate cycles?

A: We are prone to neither booms nor busts, tending to be stable in both good and bad times. In fact, some of our best years have come amidst recessions, as operating cost pressures and resident turnover loss (to home buying) materially lessened. We've weathered all sorts of cyclical and recessionary challenges in our 24 years in the business, with no financial default of any sort and with unbroken progress. We're able to find ample opportunity for increasing share value and growth amidst all kinds of conditions; we expect to continue to be able to do so for a long time to come.

Q: What do you see as the company's major focus going forward?

A: First, continuing a strong focus on steadily growing earnings from our productive property portfolio. Our highly productive new development pipeline will be fully contributing on a stabilized basis by early 2002. Our portfolio of properties is in excellent physical condition and is poised to continue to generate steady core earnings growth. Job growth and apartment demand in our southeast, south central and Texas markets are expected to remain strong and grow and we are comfortable over the long haul with our commitment to this part of the country. Over the next couple of years we expect a good environment for recycling and harvesting some of the capital appreciation from our existing investments. Both independently and with potential joint venture partners, we expect to opportunistically deploy capital via our core competency – redeveloping apartment properties to create new value. And we will of course capture value for our owners through share repurchases so long as the market continues to under-price our stock.

Dollars in thousands	December 31 2000	1999
ASSETS		
Real estate assets:		
Land	$ 124,867	$ 119,823
Buildings and improvements	1,231,603	1,172,780
Furniture, fixtures and equipment	29,094	28,238
Construction in progress	28,523	58,840
	1,414,087	1,379,681
Less accumulated depreciation	(183,652)	(146,611)
	1,230,435	1,233,070
Land held for future development	1,366	1,710
Commercial properties, net	5,044	5,217
Investment in and advances to real estate joint venture	7,630	8,054
Real estate assets, net	1,244,475	1,248,051
Cash and cash equivalents	16,095	14,092
Restricted cash	17,472	12,537
Deferred financing costs, net	9,700	10,272
Other assets	16,029	13,871
Total assets	$1,303,771	$1,298,823
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Notes payable	$ 781,089	$ 744,238
Accounts payable	1,740	2,122
Accrued expenses and other liabilities	26,589	23,199
Security deposits	4,611	4,739
Deferred gain on disposition of properties	4,366	4,581
Total liabilities and deferred gain	818,395	778,879
Minority interest	51,383	56,060
Shareholders' equity:		
Preferred stock, $.01 par value, 20,000,000 shares authorized, $173,470,750 or $25 per share liquidation preference:		
2,000,000 shares at 9.5% Series A Cumulative	20	20
1,938,830 shares at 8.875% Series B Cumulative	19	19
2,000,000 shares at 9.375% Series C Cumulative	20	20
1,000,000 shares at 9.5% Series E Cumulative	10	10
Common stock, $.01 par value authorized 50,000,000 shares; issued 17,506,968 and 17,971,960 shares at December 31, 2000 and 1999, respectively	175	180
Additional paid-in capital	551,809	562,547
Other	(1,171)	(1,053)
Accumulated distributions in excess of net income	(116,889)	(89,869)
Treasury stock at cost, 355,900 shares at December 31, 1999	—	(7,990)
Total shareholders' equity	433,993	463,884
Total liabilities and shareholders' equity	$1,303,771	$1,298,823

Dollars in thousands, except per share data	Years Ended December 31 2000	1999	1998
Revenues:			
Rental revenues	$219,039	$221,342	$210,256
Other property revenues	3,493	2,872	2,583
Total property revenues	222,532	224,214	212,839
Interest and other income	1,526	1,388	863
Management and development income, net	739	751	1,841
Equity in loss of real estate joint venture	(157)	(31)	—
Total revenues	224,640	226,322	215,543
Expenses:			
Property operating expenses:			
Personnel	24,268	25,239	24,053
Building repairs and maintenance	9,701	10,107	10,030
Real estate taxes and insurance	25,021	24,561	22,459
Utilities	7,635	9,119	9,376
Landscaping	6,027	5,634	5,009
Other operating	10,794	10,225	8,990
Depreciation and amortization	51,844	49,903	46,021
	135,290	134,788	125,938
General and administrative	14,826	14,479	11,960
Interest expense	50,736	48,302	45,704
Amortization of deferred financing costs	2,758	2,854	2,348
Total expenses	203,610	200,423	185,950
Income before gain on dispositions, minority interest in operating partnership income and extraordinary items	21,030	25,899	29,593
Gain on dispositions, net	11,587	10,237	408
Income before minority interest in operating partnership income and extraordinary items	32,617	36,136	30,001
Minority interest in operating partnership income	2,626	2,497	2,254
Income before extraordinary items	29,991	33,639	27,747
Extraordinary items – loss on early extinguishment of debt	(204)	(67)	(990)
Net income	29,787	33,572	26,757
Dividends on preferred shares	16,114	16,114	11,430
Net income available for common shareholders	$ 13,673	$ 17,458	$ 15,327
Basic (in thousands):			
Average common shares outstanding	17,544	18,784	18,725
Basic earnings per share:			
Net income available per common share before extraordinary items	$ 0.79	$ 0.93	$ 0.87
Extraordinary items	(0.01)	—	(0.05)
Net income available per common share	$ 0.78	$ 0.93	$ 0.82
Diluted (in thousands):			
Average common shares outstanding	17,544	18,784	18,725
Effect of dilutive stock options	53	24	45
Average dilutive common shares outstanding	17,597	18,808	18,770
Diluted earnings per share:			
Net income available per common share before extraordinary items	$ 0.79	$ 0.93	$ 0.87
Extraordinary items	(0.01)	—	(0.05)
Net income available per common share	$ 0.78	$ 0.93	$ 0.82

Dollars in thousands, except per share data	**2000**	1999	1998	1997	1996
	Years Ended December 31				
Operating Data:					
Total revenues	**$ 224,640**	$ 226,322	$ 215,543	$ 139,116	$ 111,882
Expenses:					
Property expenses	**83,446**	84,885	79,917	52,404	42,570
Depreciation and amortization	**51,844**	49,903	46,021	27,737	21,443
General and administrative	**14,826**	14,479	11,960	6,602	6,154
Interest	**50,736**	48,302	45,704	28,943	25,766
Amortization of deferred financing costs	**2,758**	2,854	2,348	888	661
Gain on disposition of properties	**11,587**	10,237	408	—	2,185
Income before minority interest in operating partnership income and extraordinary items	**32,617**	36,136	30,001	22,542	17,473
Minority interest in operating partnership income	**(2,626)**	(2,497)	(2,254)	(2,693)	(3,213)
Extraordinary items – loss on early extinguishment of debt	**(204)**	(67)	(990)	(8,622)	—
Net income	**29,787**	33,572	26,757	11,227	14,260
Preferred dividends	**16,114**	16,114	11,430	5,252	990
Net income available for common shareholders	**$ 13,673**	$ 17,458	$ 15,327	$ 5,975	$ 13,270
Per Share Data:					
Basic and diluted:					
Before extraordinary items	**$ 0.79**	$ 0.93	$ 0.87	$ 1.05	$ 1.21
Extraordinary items	**(0.01)**	—	(0.05)	(0.62)	—
Net income available per common share	**$ 0.78**	$ 0.93	$ 0.82	$ 0.43	$ 1.21
Dividends declared	**$ 2.325**	$ 2.305	$ 2.225	$ 2.155	$ 2.065
Balance Sheet Data:					
Real estate owned, at cost	**$ 1,430,378**	$1,396,743	$1,434,733	$1,211,693	$ 641,893
Real estate owned, net	**$ 1,244,475**	$1,248,051	$1,315,368	$1,134,704	$ 592,335
Total assets	**$ 1,303,771**	$1,298,823	$1,366,427	$1,193,870	$ 611,199
Total debt	**$ 781,089**	$ 744,238	$ 753,427	$ 632,213	$ 315,239
Minority interest	**$ 51,383**	$ 56,060	$ 61,441	$ 62,865	$ 39,238
Shareholders' equity	**$ 433,993**	$ 463,884	$ 517,299	$ 461,300	$ 241,384
Weighted average common shares (000's):					
Basic	**17,544**	18,784	18,725	13,892	10,938
Diluted	**17,597**	18,808	18,770	13,955	10,983
Other Data (at end of period):					
Market capitalization (shares and units)	**$ 634,903**	$ 639,095	$ 670,123	$ 710,175	$ 436,739
Number of properties, including ownership interest	**124**	129	129	116	73
Number of apartment units, including ownership interest	**33,612**	33,901	33,831	30,579	19,280

THE BOARD OF DIRECTORS AND SHAREHOLDERS
MID-AMERICA APARTMENT COMMUNITIES, INC.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of Mid-America Apartment Communities, Inc. and subsidiaries (the "Company") as of December 31, 2000, and 1999, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2000 (not presented herein); and in our report dated February 23, 2001, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

KPMG LLP

Memphis, Tennessee
February 23, 2001

CORPORATE HEADQUARTERS

Mid-America Apartment Communities, Inc.
6584 Poplar Avenue, Suite 300
Memphis, TN 38138
(901) 682-6600

INTERNET WEB ADDRESS

www.maac.net

ANNUAL SHAREHOLDERS MEETING

Mid-America Apartment Communities, Inc. will hold its 2001 annual meeting of shareholders on Monday, June 4th, at 4:00 p.m. at the clubhouse at The Reserve at Dexter Lake, Memphis, TN.

ANNUAL REPORT AND FORM 10-K

A copy of Mid-America's Annual Report and Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission will be sent without charge upon written request to the corporate headquarters address, attention Investor Relations, and is available on the Internet at **www.maac.net**.

TRANSFER AGENT AND REGISTRAR

First Union National Bank, Nashville, TN

INDEPENDENT AUDITORS

KPMG LLP, Memphis, TN

GENERAL COUNSEL

Bass, Berry & Sims, Memphis, TN

STOCK LISTING AND COMMON STOCK PRICE

Mid-America's common stock is traded on the New York Stock Exchange under the stock symbol MAA. Its Cumulative Preferred Stock is under the symbols MAA PR A, MAA PR B, and MAA PR C. On March 15, 2001, there were approximately 13,500 shareholders of Mid-America Common Stock.

	Sales Prices		**Dividends**
Fiscal 2000	**High**	**Low**	**Declared**
First Quarter	$23.375	$22.000	$0.580
Second Quarter	$24.500	$22.375	$0.580
Third Quarter	$24.875	$23.000	$0.580
Fourth Quarter	$23.875	$21.250	$0.580
Fiscal 1999	**High**	**Low**	**Declared**
First Quarter	$24.125	$20.875	$0.575
Second Quarter	$25.000	$21.188	$0.575
Third Quarter	$23.125	$21.000	$0.575
Fourth Quarter	$23.063	$21.438	$0.575

CORPORATE CHARITY

Open Arms Foundation

EXECUTIVE OFFICERS

(also serve on Board of Directors)

George E. Cates
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

H. Eric Bolton Jr.
PRESIDENT AND CHIEF OPERATING OFFICER

Simon R.C. Wadsworth
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

INDEPENDENT BOARD OF DIRECTORS

O. Mason Hawkins
(since October 1993)
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
SOUTHEASTERN ASSET MANAGEMENT, INC.

Robert F. Fogelman
(since July 1994)
PRESIDENT
FOGELMAN INVESTMENT COMPANY

John F. Flournoy
(since November 1997)
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
FLOURNOY DEVELOPMENT COMPANY

John S. Grinalds
(since November 1997)
PRESIDENT
THE CITADEL

Ralph Horn
(since April 1998)
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
FIRST TENNESSEE NATIONAL CORP.

Michael S. Starnes
(since July 1998)
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
M.S. CARRIERS, INC.

DESIGNED AND PRODUCED BY PERDUE CREATIVE/MEMPHIS

MID-AMERICA CORPORATE
Property Management Company of the Year, Lexington, KY; Community Service Award, 1st Place (national), Multifamily Executive *magazine; Best Management Company, Jacksonville, FL*

MID-AMERICA LANDSCAPE
WREG-TV; "Mid-South Gardens" excellence; Tennessee Urban Forestry Award

OPEN ARMS FOUNDATION
Nominee: Best of Memphis Volunteer Awards

ABBINGTON PLACE
HUNTSVILLE, AL
Beautification Award, City of Huntsville

THE ADVANTAGES
JACKSON, MS
Beautification Excellence, 3rd Place, Mississippi Multifamily Council (MMFC)

AUSTIN CHASE
MACON, GA
Beautification Award, Macon-Bibb Beautiful Commission

BALCONES WOODS
AUSTIN, TX
Property of the Year, Finalist

BRENTWOOD DOWNS
NASHVILLE, TN
1st Place Beautification Award, Nashville Apartment Association (NAA)

CEDAR MILL
MEMPHIS, TN
Beautification Award, Older Conventional; Memphis Apartment Association (MAA), 2nd Place

THE CROSSINGS
MEMPHIS, TN
Best Small Property, City Beautiful Commission

CROSSWINDS
JACKSON, MS
Beautification runnerup, MMFC (7-14 years)

FAIRWAYS AT HARTLAND
BOWLING GREEN, KY
City Beautification Award

GLENEAGLES
MEMPHIS, TN
1st Place Beautification Award, Southeast Memphis Betterment Association

GRAND RESERVE LEXINGTON
LEXINGTON, KY
Kentucky Derby Beautification Award

GREENBROOK
MEMPHIS, TN
Renovations Award, Memphis City Beautiful

HIDDEN LAKE
UNION CITY, GA
Top 1,000 High Performing Multifamily Properties, Union City (Atlanta metro), GA, Secretary of Housing & Urban Development; Clean & Beautiful Award, City of Union City, GA

HIGHLAND RIDGE
GREENVILLE, SC
Clean & Beautiful Award, Clark County; 1st Place Beautification Award, Upper State (SC) Apartment Association (USAA)

KIRBY STATION
MEMPHIS, TN
Best Large Property, City Beautiful Commission

LAKEPOINTE
LEXINGTON, KY
Triple Crown Award; Keeneland Award for Excellence, Lexington (KY) Apartment Association (LAA); Crown Excellence Award; Best Lead Service Technician, LAA; Beautification Award

LANE AT TOWNE CROSSING
MESQUITE, TX
City Beautiful Award; 1st Place Beautification Award, City of Mesquite

LINCOLN ON THE GREEN
MEMPHIS, TN
1st Place, Beautification Award, MAA

THE MANSION
LEXINGTON, KY
Triple Crown Award; Beautification Award, Best Overall Team Award; LAA

NAPA VALLEY
LITTLE ROCK, AR
City Beautiful Award

THE PADDOCK CLUB
BRANDON, FL
Community of the Year, Brandon, FL, Bay Area Apartment Association

THE PADDOCK CLUB
COLUMBIA, SC
2nd Place; Best New Property, USAA; Crown Excellence Award; Top Property Supervisor, Support Manager

THE PADDOCK CLUB
HUNTSVILLE, AL
Beautification Award, City of Huntsville Honor Roll (5 consecutive years)

THE PADDOCK CLUB
LAKELAND, FL
1st Place Beautification Award, City of Lakeland

THE PADDOCK CLUB
PANAMA CITY, FL
Best New Property, Chamber of Commerce

PADDOCK PARK
OCALA, FL
Best Apartment Community, Star Banner

PARK AT HAYWOOD
GREENVILLE, SC
1st Place Floral Design, USAA

PARK AT HERMITAGE
NASHVILLE, TN
2nd Place Beautification Award, NAA

PARK ESTATE
MEMPHIS, TN
City Beautiful Award (apartments), Memphis City Beautiful Commission

PARK PLACE
SPARTANBURG, SC
1st Place, Beautification Award, USAA

PEAR ORCHARD
JACKSON, MS
Beautification Excellence, 1st Place, and Runnerup Beautification Award (15-24 years), MMFC

REFLECTION POINTE
JACKSON, MS
Beautification Excellence, 2nd Place; 1st Place Beautification Award (7-14 years) and Special Award, Best Community Entrance Overall; MS Multifamily Council Honorable Mention: Jackson; MMFC

RESERVE AT DEXTER LAKE
MEMPHIS, TN
Beautification Award, New Large Conventional; Memphis Apartment Association, 2nd Place

RUNAWAY BAY
MT. PLEASANT, SC
Alhambra Applauds, Mt. Pleasant Garden Club

SOMERSET
JACKSON, MS
MS Multifamily Council Honorable Mention, Jackson

SPRING CREEK
GREENVILLE, SC
2nd Place, Beautification Award, USAA

STONEMILL VILLAGE
LOUISVILLE, KY
Beautification Award, Beautification League, Louisville and Jefferson County; Outstanding Landscaping Maintenance (3 years)

SUTTON PLACE
SOUTHAVEN, MS
Community Pride Award, Top of Mississippi, MS Chamber of Commerce

TANGLEWOOD
ANDERSON, SC
2nd Place Beautification Award, USAA

TERRACES AT TOWNE LAKE
WOODSTOCK, GA
Beautification Award, (Best of the Best), TowneLaker Magazine, *Reader's Choice; Apartment Community Development, (Best of the Best),* TowneLaker Magazine, *Reader's Choice*

TOWNSHIP
HAMPTON, VA
Best On Site Landscaping, Peninsula Apartment Council

THE VILLAGE
LEXINGTON, KY
Keeneland Beautification Award; Keeneland Award for Excellence, LAA

THE VISTAS
MACON, GA
Beautification Award, Bibb Beautiful Commission

WHISPERING OAKS
LITTLE ROCK, AR
Landscaping Award, City of Little Rock

WHISPERWOOD
COLUMBUS, GA
Best Apartment Community, Reader's Choice Award (6th consecutive year), Columbus Ledger Enquirer

WILDWOOD
THOMASVILLE, GA
Best of Thomas & Grady Counties, Reader's Choice Awards: Thomasville Times-Enterprise

WILLIAMSBURG VILLAGE
JACKSON, TN
Mayor's Civic Pride Award, Jackson City Beautiful Commission; Best Property, City Beautiful Award

WOODRIDGE
JACKSON, MS
Beautification Excellence, Honorable Mention and 1st Place Beautification Award, MMFC (15-24 years)

Mid-America
Apartment
Communities

CREATING *Great Places* TO LIVE[SM]

6584 POPLAR AVENUE, SUITE 300 • MEMPHIS, TN 38138 • 901-682-6600
www.maac.net