AvalonBay
COMMUNITIES

2015 ANNUAL REPORT

AVALONBAY COMMUNITIES, INC.

is an equity REIT in the business of developing, redeveloping, acquiring and managing multifamily communities primarily in New England, the New York/New Jersey metro area, the Mid-Atlantic, the Pacific Northwest, and Northern and Southern California. We focus on leading metropolitan areas in these regions that we believe are characterized by growing employment in high wage sectors of the economy, lower housing affordability and a diverse and vibrant quality of life. We believe these market characteristics offer the opportunity for superior risk-adjusted returns on apartment community investment relative to other markets.

FINANCIAL HIGHLIGHTS

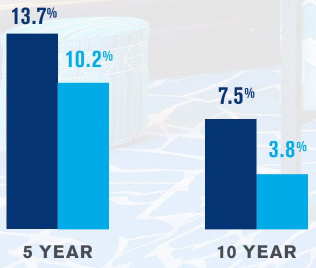
TOTAL SHAREHOLDER RETURN[1]

Source: *SNL Financial*

• AvalonBay • Multifamily Sector Weighted Average
• MSCI US REIT INDEX (“RMZ”) • S&P 500

CORE FFO PER SHARE GROWTH[2]

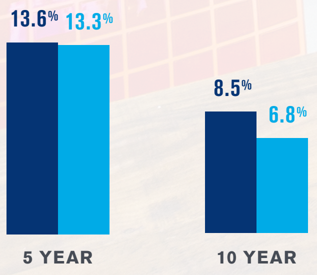
Source: *SNL Financial*



• AvalonBay • Multifamily Sector Weighted Average

NAV PER SHARE GROWTH[3]

Source: *SNL Financial*



• AvalonBay • Multifamily Sector Weighted Average

AVA High Line, *New York, NY*

2015 AT A GLANCE:

11.4%

CORE FFO PER SHARE GROWTH

$1.3 BILLION

A COMPANY RECORD!

IN DEVELOPMENT COMPLETIONS

16.0%

TOTAL SHAREHOLDER RETURN

NO.1

ONLINE REPUTATION

Source: *ORA Multifamily Power Rankings powered by J Turner Research*

TOP 10%

ASSOCIATE ENGAGEMENT

Source: *IBM Kenexa Survey*

WINNER!

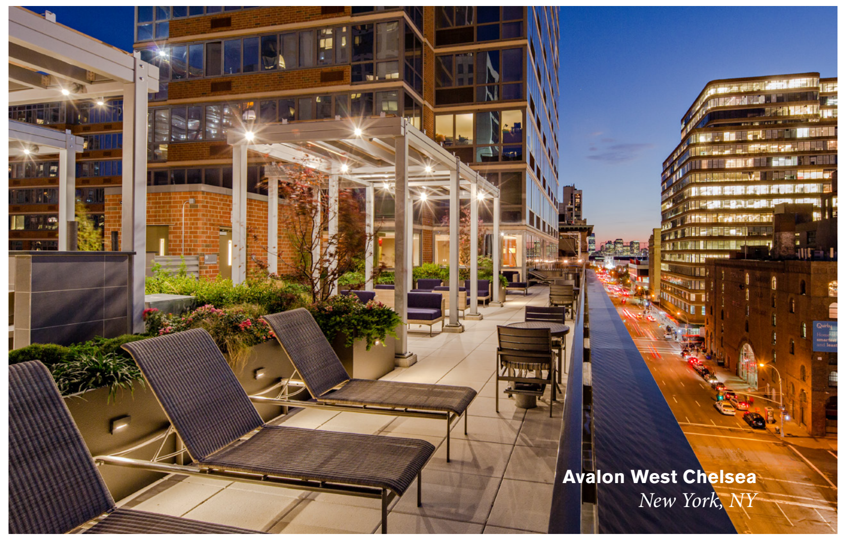
LEADER IN THE LIGHT AWARD

Source: *NAREIT Leader In The Light – Sustainable Real Estate Practices*

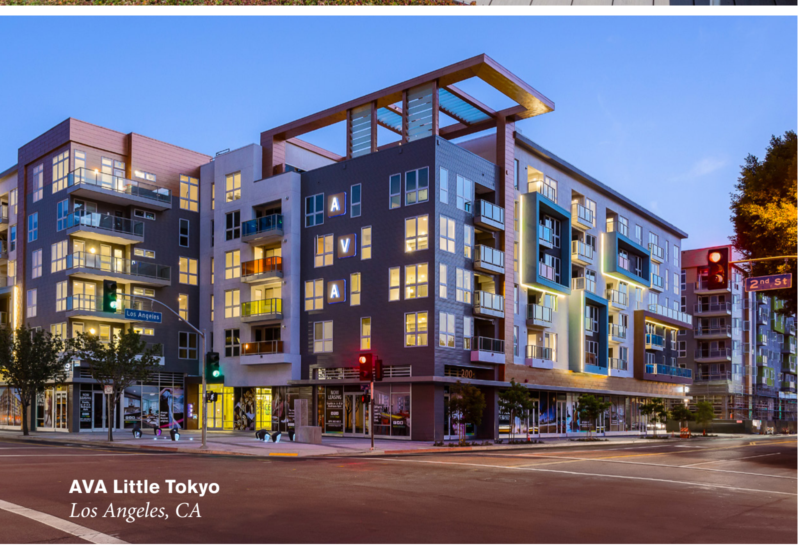
Avalon Roseland
Roseland, NJ

Avalon Wharton
Wharton, NJ

Avalon Hayes Valley
San Francisco, CA



Avalon West Chelsea
New York, NY



AVA Little Tokyo
Los Angeles, CA

Avalon Baker Ranch
Lake Forest, CA

Avalon Marlborough
Marlborough, MA

Avalon Framingham
Framingham, MA

Dear Fellow Shareholders,

THE YEAR IN REVIEW

2015 was another outstanding year for AvalonBay. We delivered same-store Net Operating Income ("NOI") growth of 5.8% and Core FFO per share growth of 11.4%, which helped drive total shareholder return of 16% in 2015. We also completed a Company record $1.3 billion of new development at a weighted average initial projected stabilized yield of 6.7%, and we commenced construction on 13 new development communities that, if developed as expected, will contain nearly 3,800 apartment homes and represent $1.2 billion in projected total capital costs.

Our associates delivered another year of exceptional customer service in 2015, as evidenced by a resident satisfaction score that was 700 basis-points above the Kingsley Multifamily Resident Satisfaction Index. We continue to lead the multifamily sector in sustainability, receiving the National Association of Real Estate Investment Trusts' 2015 Residential Leader in the Light award, and were identified as a sector leader by the Global Real Estate Sustainability Benchmark (GRESB). Both of these organizations recognize industry leaders that demonstrate a long-term commitment to environmental and social responsibility. In addition, in January of 2016, we announced a new Building Certified policy that requires all new mid-rise and high-rise construction projects to achieve third-party certification of environmental and energy efficiency from external rating programs, such as LEED or Energy Star.

Over the course of 2015, we also improved our balance sheet and financial flexibility. Debt-to-Total Market Capitalization declined to 20.4% at year-end 2015, 260 basis-points below our year-end 2014 level. Net debt-to-Core EBITDA at year-end 2015 was 4.8 times, down from 5.2 times a year earlier. Finally, Unencumbered NOI improved 900 basis-points to 78% over the same period.

As a result of these accomplishments and our expectations for the year ahead, we announced an increase in our quarterly dividend in January 2016 to $1.35 per share, an 8% increase over our 2015 quarterly dividend.

Our 2015 results continue a track record of superior performance. Dating back to our initial public offering in 1994, Core FFO per share and our dividend have increased approximately 7% and 5-1/2%, respectively, on an annual compounded basis. Over the same time period we generated annual total shareholder return of 14.6%, reflecting the successful execution of a durable and proven strategy.

A LOOK AHEAD

Looking ahead to 2016, we expect the U.S. economy to continue to expand at a moderate pace and support healthy apartment market fundamentals. In our markets, we expect job growth of 2.2% (in-line with last year's pace) and personal income growth of 6.6% (ahead of last year's growth of 4.9%).

We believe U.S. demographic trends will provide additional support to apartment demand. The prime rental cohort, those between the ages of 25 and 34, is expected to grow by over two million individuals by the end of the decade. Further, over the same period there are expected to be over one million more individuals between the ages of 35 and 44. This segment of the population has been an increasingly important source of apartment demand and is responsible for much of the growth in the renter population over the last decade, largely due to a significant decline in this cohort's homeownership rate (from 70% in 2005 to 58% in 2015).

We expect that lifestyle trends and financial constraints on young renters will extend rental tenures over the next several years. The average age at first marriage and a mother's age at first birth have both increased by at least a year in the last decade. Additionally, we believe that student debt burdens and limited mortgage availability will likely continue to dampen home purchases.

In response to strong demand, we are seeing an increase in new apartment supply. However, across our portfolio in 2016, we believe apartment demand will be sufficient to absorb the new apartment supply, and we expect our same-store portfolio to produce another year of healthy growth.

We believe NOI contributions from new investment activity will continue to differentiate our growth in the years ahead. In 2016, we anticipate completing nine new development communities at initial stabilized yields well in excess of our cost of capital. These communities are expected to contain over 2,500 apartment homes and represent nearly $1 billion in projected total capital costs. We also plan to commence construction on nine new communities that are expected to contain approximately 2,800 apartment homes and represent $1.2 billion in projected total capital costs.

Finally, we intend to continue our practice of substantially match-funding new investment commitments with long-term capital in order to lock in attractive investment margins. We enter 2016 with a strong and flexible balance sheet, and we are approximately 85% match-funded against existing development commitments. We maintain excellent access to liquidity, including $400 million of cash and cash equivalents on the balance sheet and no amounts outstanding under our $1.5 billion credit facility at year-end 2015. We believe we are well positioned to pursue future investment opportunities.

CONCLUSION

In summary, we expect 2016 to be another strong year for AvalonBay. We believe favorable apartment fundamentals, a portfolio of assets located in the most desirable U.S. markets, an unmatched development capability, and a balance sheet built to endure will continue to differentiate our growth from our peers.

Thank you for your continued investment in AvalonBay.

TIMOTHY J. NAUGHTON
Chairman and CEO

AVA Theater District, *Boston, MA*

FINANCIALS

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DEFINITIONS AND RECONCILIATIONS

Of Non-GAAP Financial Measures and Other Terms

This Annual Report contains certain non-GAAP financial measures and other terms. The definitions and calculations of these non-GAAP financial measures and other terms may differ from the definitions and methodologies used by other REITs and, accordingly, may not be comparable. The non-GAAP financial measures referred to below should not be considered an alternative to net income as an indication of our performance. In addition, these non-GAAP financial measures do not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered as an alternative measure of liquidity or as indicative of cash available to fund cash needs. The definitions of non-GAAP financial measures and other terms not included below (Funds from Operations or FFO, Net Operating Income or NOI, Established/Same-Store Communities) are contained in our annual report on Form 10-K, which is distributed with and a part of this Annual Report.

The **Multifamily Sector Weighted Average** is a weighted average based on Total Market Capitalization per SNL Financial as of December 31, 2015. The weighted average for Total Shareholder Return, Core FFO and NAV per share growth consists of AIV, CPT, EQR, ESS, MAA, PPS and UDR.

Net Debt-to-Core EBITDA is calculated by the Company as total debt that is consolidated for financial reporting purposes, less consolidated cash and cash in escrow, divided by annualized fourth quarter **Core EBITDA**, as adjusted. A calculation of Core EBITDA and Net Debt-to-Core EBITDA as of December 31, 2015 and December 31, 2014 is as follows (dollars in thousands):

CORE EBITDA *(Dollars in thousands)*

For the quarter ending:	*12/31/2015*	*12/31/2014*
Net income attributable to common stockholders	$155,428	$142,642
Interest expense, net	42,217	47,987
Income tax expense	215	9,332
Depreciation expense	122,259	114,084
EBITDA	$320,119	$314,045
NOI from discontinued operations and real estate assets sold or held for sale, not classified as discontinued operations	$(1,896)	$(2,257)
Gain on sale of communities	(9,474)	(23,980)
EBITDA after disposition activity	$308,749	$287,808
Joint venture income	$(1,093)	$(5,241)
Casualty and impairment loss (gain), net	125	-
Lost NOI from Edgewater fire	2,790	-
Other non-core adjustments[1]	335	-
Core EBITDA	$310,906	$282,567

[1] Refer to the Core FFO definition included in the accompanying Form 10-K.

NET DEBT-TO-CORE EBITDA *(Dollars in thousands)*

	2015	*2014*
Total debt principal[1]	$6,481,291	$6,448,138
Cash and cash in escrow	(505,328)	(605,085)
Net debt	5,975,963	5,843,053
Core EBITDA	$310,906	$282,567
Core EBITDA, annualized	$1,243,624	$1,130,268
Net Debt-to-Core EBITDA	4.8 times	5.2 times

[1] Balance at December 31, 2015 excludes $7,601 of debt discount and $21,725 of deferred financing costs as reflected in unsecured notes, net, and $19,686 of debt premium and $14,703 of deferred financing costs as reflected in notes payable, on the Condensed Consolidated Balance Sheets. Balance at December 31, 2014 excludes $6,735 of debt discount as reflected in unsecured notes, net, and $84,449 of debt premium as reflected in notes payable, on the Condensed Consolidated Balance Sheets. The debt premiums are primarily related to above market interest rates on debt assumed in connection with the Archstone acquisition.

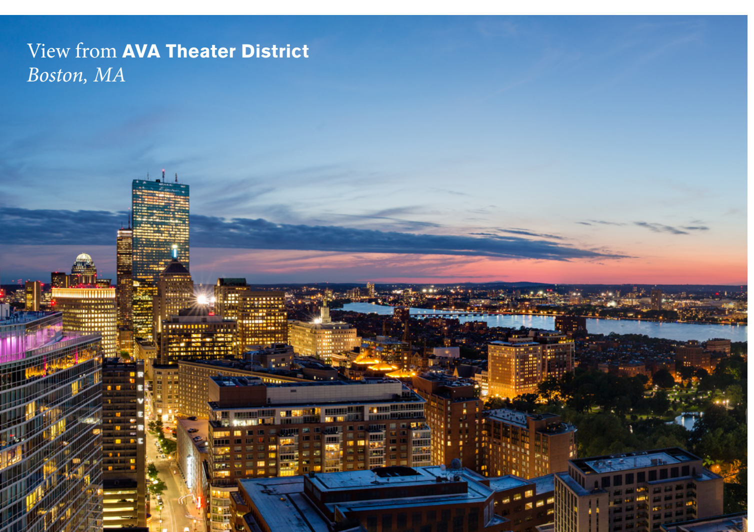
Debt-to-Total Market Capitalization is a measure of leverage that is calculated by expressing, as a percentage, debt divided by Total Market Capitalization, which is defined as the aggregate of the market value of the Company's common stock, the market value of the Company's operating partnership units outstanding (based on the market value of the Company's common stock) and the outstanding principal balance of debt. Management believes that this measure of leverage can be one useful measure of a real estate operating company's long-term liquidity and balance sheet strength, because it shows an approximate relationship between a company's total debt and the current total market value of its assets based on the current price at which the Company's common stock trades. Because this measure of leverage changes with fluctuations in the Company's stock price, which occur regularly, this measure may change even when the Company's earnings, interest and debt levels remain stable. Investors should also note that the net realizable value of the Company's assets in liquidation is not easily determinable and may differ substantially from the Company's Total Market Capitalization. A calculation of Debt-to-Total Market Capitalization as of December 31, 2015 and December 31, 2014 is as follows (dollars in thousands):

DEBT-TO-TOTAL MARKET CAPITALIZATION

(Dollars in thousands)

	2015	2014
Common stock	$25,226,184	$21,575,712
Operating partnership units	1,381	1,225
Total debt	6,481,291	6,448,139
Total Market Capitalization	$31,708,856	$28,025,076
Debt as a % of Capitalization	20.4%	23.0%

Unencumbered NOI as calculated by the Company represents NOI generated by real estate assets unencumbered by either outstanding secured debt or land leases (excluding land leases with purchase options that were put in place for governmental incentives or tax abatements) as a percentage of total NOI generated by real estate assets. The Company believes that current and prospective unsecured creditors of the Company view Unencumbered NOI as one indication of the borrowing capacity of the Company. Therefore, when reviewed together with the Company's Interest Coverage, EBITDA and cash flow from operations, the Company believes that investors and creditors view Unencumbered NOI as a useful supplemental measure for determining the financial flexibility of an entity. A calculation of Unencumbered NOI for the years ended December 31, 2015 and December 31, 2014 is as follows (dollars in thousands):


View from **AVA Theater District**
Boston, MA

UNENCUMBERED NOI

(Dollars in thousands)

	2015	2014 [1]
Net income	$741,733	$697,327
Indirect operating expenses, net of corporate income	56,973	49,055
Investments and investment management expense	4,370	4,485
Expensed acquisition, development and other pursuit costs, net of recoveries	6,822	(3,717)
Interest expense, net [1]	175,615	180,618
(Gain) loss on extinguishment of debt, net	(26,736)	412
General and administrative expense	42,396	41,425
Equity in (income) loss of unconsolidated real estate entities	(70,018)	(148,766)
Depreciation expense [1]	477,923	442,682
Income tax expense	1,861	9,368
Casualty (gain) loss and impairment loss, net	(10,542)	-
Gain on sale of real estate assets	(125,272)	(85,415)
Gain on sale of discontinued operations	-	(37,869)
Income from discontinued operations	-	(310)
Net operating income from real estate assets sold or held for sale, not classified as discontinued operations	(10,920)	(15,199)
Net operating income	$1,264,205	$1,134,096
Income from discontinued operations	-	310
Net operating income from real estate assets sold or held for sale, not classified as discontinued operations	10,920	15,199
Total NOI generated by real estate assets	$1,275,125	$1,149,605
NOI on encumbered assets	(279,508)	(352,021)
NOI on unencumbered assets	$995,617	$797,584
Unencumbered NOI	78%	69%

[1] *Includes amounts associated with assets sold or held for sale, not classified as discontinued operations.*

FFO RECONCILIATION TO NET INCOME

(Dollars in thousands, except per share data)

	2015	2014
Net income attributable to common stockholders	$742,038	$683,567
Depreciation - real estate assets, including discontinued operations and joint venture adjustments	486,019	449,769
Distributions to noncontrolling interests, including discontinued operations	38	35
Gain on sale of unconsolidated entities holding previously depreciated real estate assets	(33,580)	(73,674)
Gain on sale of previously depreciated real estate assets [1]	(115,625)	(108,662)
Impairment due to casualty loss	4,195	-
FFO attributable to common stockholders	$1,083,085	$951,035
Average shares outstanding - diluted	134,593,177	131,237,502
Earnings per share - diluted	$5.51	$5.21
FFO per common share - diluted	$8.05	$7.25

[1] *Full Year 2014 includes the impact of the noncontrolling portion of the gain on sale of community owned by Fund I that was consolidated for financial reporting purposes.*

CORE FFO RECONCILIATION TO FFO

(Dollars in thousands, except per share data)

	2015	2014
FFO, actual	$1,083,085	$951,035
Adjusting items		
Joint venture gains[1]	(9,059)	(5,174)
Casualty and impairment gain, net[2]	(16,247)	(2,494)
Lost NOI from casualty losses	7,862	-
Early extinguishment of consolidated borrowings	(26,736)	412
Gain on sale of real estate	(9,647)	(490)
Joint venture promote	(21,969)	(58,128)
Income taxes[3]	1,103	9,243
Development pursuit and other write-offs[4]	1,838	2,564
Acquisition costs[5]	3,806	(7,682)
Severance related costs	1,999	815
Core FFO	$1,016,035	$890,101
Average shares outstanding - diluted	134,593,177	131,237,502
Core FFO per share	$7.55	$6.78

[1] *Amounts for 2015 and 2014 are composed primarily of the Company's proportionate share of gains and operating results for joint ventures formed with Equity Residential as part of the Archstone acquisition in 2013.*
[2] *Full year 2015 amount is composed primarily of property damage and business interruption insurance proceeds, partially offset by costs from the fire at Avalon at Edgewater.*
[3] *Amounts for 2015 and 2014 are composed of income taxes paid by the Company which are not considered to be a component of primary operations.*
[4] *Composed of the write-off of capitalized pursuit costs for Development Rights as well as the write-off of certain retail tenant improvements at an operating community in 2014.*
[5] *Amounts for 2014 include property tax refunds for Archstone communities for periods prior to acquisition in 2013.*

NOTES

1. **TOTAL SHAREHOLDER RETURN:** The change in the value over the period stated with all dividends reinvested. Total Shareholder Return is presented as the compound annual growth rate. Total Shareholder Return for each year within the timeframe presented may vary.
2. **CORE FFO PER SHARE GROWTH:** The compound annual growth rate of Operating FFO per Share, as Reported (which represents Core FFO or the equivalent measure per SNL Financial) during the periods indicated. Core FFO per Share Growth for each year within the timeframe presented may vary.
3. **NAV PER SHARE GROWTH:** The compound annual growth rate of Net Asset Value (NAV) per share. NAV per share growth for each year within the timeframe presented may vary.


Avalon Falls Church
Falls Church, VA


AVA Brew at AVA Dobro
Brooklyn, NY

BOARD OF DIRECTORS

Timothy J. Naughton [4]
Chairman of the Board,
Chief Executive Officer & President,
AvalonBay Communities, Inc.

Glyn F. Aeppel [2, 4]
Chief Executive Officer & President,
Glencove Capital
A hotel investment and advisory company

Terry S. Brown [2, 4]
Chairman of the Board &
Chief Executive Officer,
Asana Partners
A real estate investment company

Alan B. Buckelew [2, 4]
Chief Operating Officer,
Carnival Corporation & plc
A global cruise line

Ronald L. Havner, Jr. [2, 4]
Chairman of the Board,
Chief Executive Officer & President,
Public Storage, Inc.
A real estate investment trust

John J. Healy, Jr. [2, 5]
Private Investor

Lance R. Primis [3, 5]
Managing Partner,
Lance R. Primis and Partners, LLC
A management consulting firm

Peter S. Rummell [4, 5]
Private Investor

H. Jay Sarles [1, 3, 5]
Private Investor

W. Edward Walter [3, 4]
Chief Executive Officer & President,
Host Hotels & Resorts, Inc.
A real estate investment trust

(1) *Lead Independent Director*
(2) *Audit Committee*
(3) *Compensation Committee*
(4) *Investment and Finance Committee*
(5) *Nominating and Corporate Governance Commitee*

EXECUTIVE OFFICERS

Timothy J. Naughton
Chairman, Chief Executive Officer
& President

Kevin P. O'Shea
Chief Financial Officer

Matthew H. Birenbaum
Chief Investment Officer

Sean J. Breslin
Chief Operating Officer

Michael M. Feigin
Chief Construction Officer

Leo. S. Horey III
Chief Administrative Officer

William M. McLaughlin
Executive Vice President Development –
Northeast

Edward M. Schulman
Executive Vice President
General Counsel & Secretary

Stephen W. Wilson
Executive Vice President Development –
West Coast & Mid-Atlantic

Keri A. Shea
Senior Vice President - Finance & Treasurer
(Principal Accounting Officer)

our purpose:

CREATING A BETTER WAY TO LIVE

our core values:

Commitment to Integrity | Focus on Continuous Improvement | Spirit of Caring

INVESTOR INFORMATION

Corporate Office
AvalonBay Communities, Inc.
671 North Glebe Road, Suite 800
Arlington, VA 22203
Phone: 703.329.6300

Website
www.avalonbay.com

Common Stock Listing
(Symbol: AVB)
New York Stock Exchange

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College Station, TX 77842
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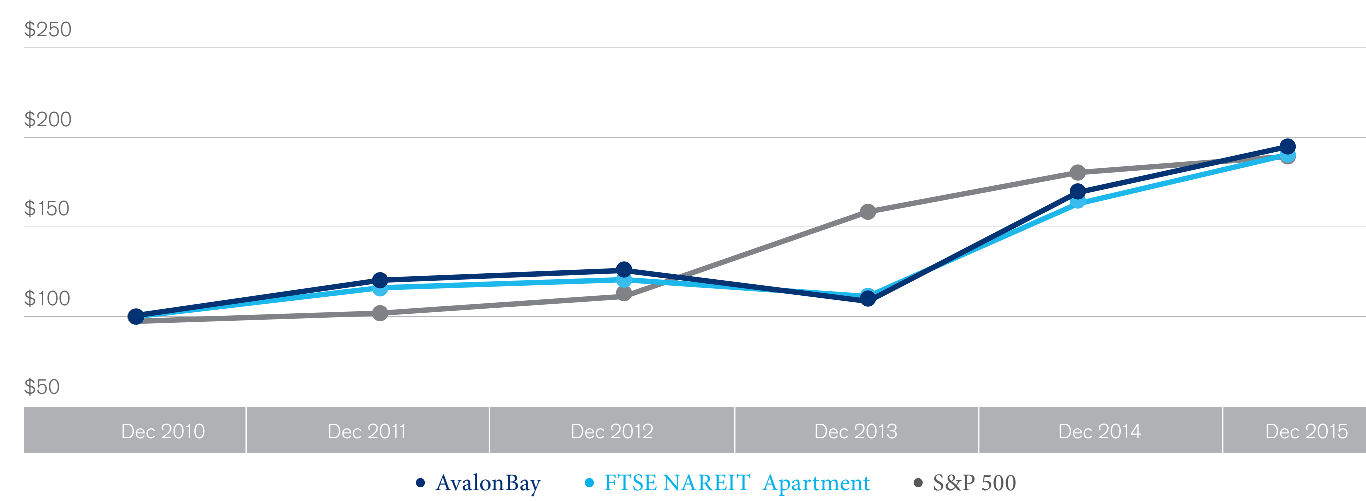
211 Quality Circle, Suite 210
College Station, TX 77842
Phone: 866.230.0668
www.computershare.com

Form 10-K
A copy of the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission is being distributed with this Annual Report and also may be obtained without charge by contacting Investor Relations.

Forward-Looking Statements
This Annual Report contains "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. Please see our discussion titled "Forward-Looking Statements" on page 61 of our accompanying Annual Report on Form 10-K for a discussion regarding risks associated with these statements.

The **Stock Performance Graph** provides a comparison, from December 2010 through December 2015, of the cumulative total shareholder return (assuming reinvestment of dividends) among the Company, a peer group index (the FTSE NAREIT Apartment REIT Index) that includes the Company, and the S&P 500 based on an initial purchase price of $100. The FTSE NARIET Apartment REIT Index includes only REITs that invest directly or indirectly primarily in the equity ownership of multifamily residential apartment communities. Upon written request to the Company's secretary, the Company will provide any stockholder with a list of REITs included in the FTSE NAREIT Apartment REIT Index. The historical information set forth below is not necessarily indicative of future performance. Data for the FTSE NAREIT Apartment REIT Index and the S&P 500 Index were provided to the Company by SNL Financial.

STOCK PERFORMANCE



Period Ending	*12-31-10*	*12-31-11*	*12-31-12*	*12-31-13*	*12-31-14*	*12-31-15*
AvalonBay Communities, Inc.	$100	119	128	115	164	190
FTSE NAREIT Apartment REIT Index	100	115	123	115	161	188
S&P 500	100	102	118	157	178	181

AvalonBay
COMMUNITIES