

AvalonBay COMMUNITIES



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, higher cost of home ownership and a diverse and vibrant quality of life. We believe these market characteristics offer the opportunity for superior risk-adjusted returns over the long-term on apartment community investments relative to other markets that do not have these characteristics.

AVALONBAY HAS A 24 YEAR HISTORY OF OUTPERFORMANCE AND STRONG DIVIDEND GROWTH

TOTAL SHAREHOLDER RETURN SINCE IPO

REPRESENTS \$100 INVESTED & THE REINVESTMENT OF DIVIDENDS

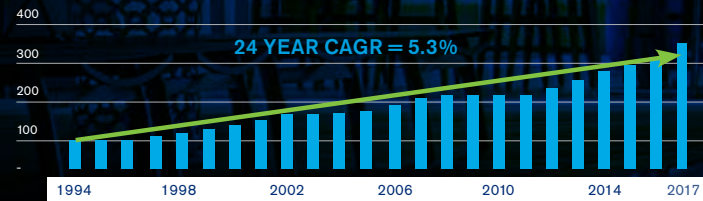
Source: S&P Global



ANNUAL COMMON DIVIDENDS PAID

INDEXED TO 100 IN 1994

Source: S&P Global



FINANCIAL HIGHLIGHTS

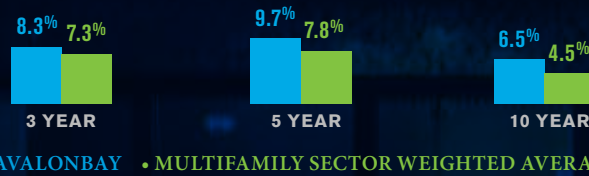
ANNUALIZED TOTAL SHAREHOLDER RETURN⁽¹⁾

Source: S&P Global



ANNUALIZED CORE FFO PER SHARE GROWTH⁽²⁾

Source: S&P Global



2017 AT A GLANCE

A COMPANY RECORD!

\$1.9 BILLION
DEVELOPMENT COMPLETIONS

7 COMMUNITIES
LEED ENVIRONMENTAL CERTIFICATION

DENVER
SOUTHEAST FLORIDA
2
NEW MARKETS ENTERED

3 CONSECUTIVE YEARS!
ORA Power Rankings
POWERED BY J Turner Research
NO. 1
ONLINE REPUTATION

glassdoor
EMPLOYEES' CHOICE
BEST PLACES TO WORK

DEAR SHAREHOLDERS

THE YEAR IN REVIEW

2017 was a productive year for AvalonBay. We completed the development of 14 new communities containing over 5,000 apartment homes, representing \$1.9 billion in total capital investment – a record for the Company. We project these new communities will generate a weighted average initial stabilized yield of 6.1%, which is well above our estimate of market capitalization rates for existing like-product in our markets. We sold the final three assets in our second private discretionary real estate investment vehicle (“Fund II”). Based on Fund II’s performance since its formation in 2008, we received \$27 million of promote income in 2017 (in addition to the \$8 million of promote income received in prior years). We entered two new markets with the intention of achieving scale (approximately 5% of total NOI) in each market over the next decade. During 2017 we acquired the Lodge Denver West in the Denver metropolitan area and 850 Boca in Southeast Florida. In addition, we continued to enhance our balance sheet by reducing near-term debt maturities to less than \$200 million before 2020, extending the weighted average years to maturity on our outstanding debt to approximately 10 years from 8.5 years at the end of 2016, and increasing our Unencumbered NOI to 89%, up from 80% at the end of 2016.

Sustainability continues to be a priority for the business, and we advanced this priority by completing another 32 light emitting diode (LED) retrofits at existing communities in 2017. We achieved Leadership in Energy and Environmental Design (LEED) certifications at seven recently completed communities. In total, AvalonBay now has 43 third-party environmentally certified communities with another 27 in pursuit of certification.

In addition, our renewable strategy will result in the installation of eight solar energy generation systems by the end of 2018. Further, we again had our energy, water, waste and greenhouse gas (GHG) emission data independently verified by Lloyd’s Register Quality Assurance (LRQA). Our continued leadership in providing sustainable communities and living experiences for our residents was recognized in 2017. Specifically, the Global Real Estate Sustainability Benchmark (GRESB) recognized AvalonBay as an industry leader, awarding us four “Green Stars” and an “A” rating in ESG public disclosure.

Our relentless focus on fostering a culture that brings out the best in our associates was reflected in our annual Associate Perspective Survey, where we ranked among the top 10% of companies for associate engagement, with 90% of associates recommending AvalonBay as a great place to work. Glassdoor rated us as among the top 100 companies to work for in the U.S., based on ratings and reviews of employees.

We pride ourselves on creating experiences that customers value. This focus led to a 600 basis point increase in our Net Promoter Score (NPS) during 2017, a key customer satisfaction and loyalty metric. We generated over 11,000 new online reviews on sites like Yelp and Google at an average star rating of 4.3 out of 5, and we were ranked #1 for online reputation among public multifamily REITs by J. Turner Research for a third consecutive year.

Our capability-led business strategy continues to produce strong results. Since 2010, Core FFO per share has increased by 117%, as compared to a sector weighted average of 83% during this period. Moreover, in January, we announced our seventh consecutive increase to the annual dividend, which has grown from \$3.57 per share in 2010 to \$5.88 per share in 2018.

LOOKING AHEAD

We expect the U.S. economy to strengthen in 2018, driven by healthy business and consumer fundamentals. In our markets, we expect job growth of 1.0% (down 20 basis points from 2017) and wage growth of 3.6% (up 60 basis points from 2017).

We believe U.S. demographic trends will continue to support apartment demand. The prime rental cohort, those between the ages of 25 and 34, is projected to increase in size in each of the next seven years. Furthermore, this segment of the population continues to delay family formation and extend rental tenure; since the beginning of the decade, the average age at first marriage and a mother’s average age at first birth have both increased by more than a year.

In response to the favorable demand outlook, we expect the volume of new apartment deliveries in our markets in 2018 to increase to 2.4% of existing inventory, as compared to an increase of 2.2% in 2017. As a result, we forecast same-store revenue growth to moderate in 2018 to the low 2% range from 2.5% in 2017.

We plan to commence construction on approximately \$900 million of new development in 2018. These anticipated development starts are primarily located in more supply-constrained, infill suburban submarkets where development economics are currently most attractive. We will continue to structure new development opportunities primarily as longer-term purchase contracts with modest at-risk deposits to preserve investment flexibility.

Finally, we enter 2018 with a very strong balance sheet. At year-end 2017, Net debt-to-Core EBITDA was 5.0x, Interest Coverage

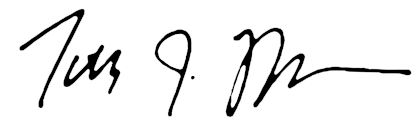
was 6.9x and our current development activity was 75% match-funded with long-term capital. In 2018, we plan to continue our practice of substantially match-funding new investment commitments with long-term capital in order to maintain financial flexibility, strong credit metrics and attractive investment margins.

CONCLUSION

In 2017, we (i) produced a seventh consecutive year of above sector average Core FFO per share growth, (ii) completed a Company record \$1.9 billion of new development activity, (iii) further integrated our sustainability platform into our business, and (iv) delivered another year of exceptional customer service, spearheaded by our talented and committed associates.

While we expect apartment fundamentals to moderate in 2018, we believe AvalonBay is uniquely positioned to continue delivering Core FFO and dividend per share growth that exceeds the multifamily sector average.

Thank you for your continued support.



TIMOTHY J. NAUGHTON
Chairman and CEO



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, Core 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.

CORE FFO RECONCILIATION TO NET INCOME *(Dollars in thousands)*

	Full Year 2017	Full Year 2014	Full Year 2012	Full Year 2007
Net income attributable to common stockholders	\$876,921	\$683,567	\$423,869	\$358,160
Depreciation - real estate assets, including joint venture adjustments	582,907	449,769	265,627	184,731
Distributions to noncontrolling interests	42	35	28	-
Gain on sale of unconsolidated entities holding previously depreciated real estate	(40,053)	(73,674)	(7,972)	(59,927)
Gain on sale of previously depreciated real estate	(252,599)	(108,662)	(146,311)	(106,487)
Gain on acquisition of unconsolidated real estate entity	-	-	(14,194)	-
Dividends attributable to preferred stock	-	-	-	(8,700)
Minority interest expense, including discontinued operations	-	-	-	280
FFO attributable to common stockholders	\$1,167,218	\$951,035	\$521,047	\$368,057
Adjusting Items				
Joint venture losses (gains)	950	(63,322)	(4,995)	-
Joint venture promote	(26,742)	-	-	-
Impairment loss on real estate	9,350	-	-	-
Casualty loss (gain), net on real estate	(3,100)	-	3,321	-
Business interruption insurance proceeds	(3,495)	(2,494)	-	-
Lost NOI from casualty losses covered by business interruption insurance	7,904	-	-	-
Loss (gain) on extinguishment of debt	25,472	412	2,070	-
Hedge ineffectiveness	(753)	-	-	-
Severance related costs, compensation plan redesign	87	815	-	-
Development pursuit and other write-offs	1,406	2,564	-	-
Loss (gain) on sale of other real estate	10,907	8,753	(280)	(544)
Acquisition costs	92	(7,682)	9,965	-
Legal settlements	680	-	1,362	-
Core FFO attributable to common stockholders	\$1,189,976	\$890,081	\$532,490	\$367,513
Average shares outstanding - diluted	138,066,686	131,237,502	98,025,152	79,856,927
Earnings per share - diluted	\$6.35	\$5.21	\$4.32	\$4.49
FFO per common share - diluted	\$8.45	\$7.25	\$5.32	\$4.61
Core FFO per common share - diluted	\$8.62	\$6.78	\$5.43	\$4.60

Interest Coverage is calculated by the Company as Core EBITDA divided by the sum of interest expense, net, and preferred dividends, if applicable. The Company presents Interest Coverage because it provides rating agencies and investors an additional means of comparing our ability to service debt obligations to that of other companies. EBITDA is defined by the Company as net income or loss attributable to the Company before interest income and expense, income taxes, depreciation and amortization. A reconciliation of Core EBITDA and a calculation of Interest Coverage for the three months ended December 31, 2017 are as follows:

INTEREST COVERAGE RECONCILIATION TO NET INCOME *(Dollars in thousands)*

	<i>Quarter Ending 12/31/2017</i>
<i>Net income attributable to common stockholders</i>	\$237,573
Interest expense, net, inclusive of loss on extinguishment of debt, net	53,833
Income tax expense	39
Depreciation expense	157,100
<i>EBITDA</i>	\$448,545
NOI from real estate assets sold or held for sale	\$(1,369)
Gain on sale of communities	(92,845)
Loss on other real estate transactions	11,153
Joint venture income	(358)
<i>Consolidated EBITDA after disposition activity</i>	\$365,126
Casualty and impairment gain	\$(5,438)
Lost NOI from casualty losses covered by business interruption insurance	1,662
Acquisition costs	92
Severance related costs	(66)
Development pursuit and other write-offs	232
Legal settlements	589
<i>Core EBITDA</i>	\$362,197
Interest expense, net	\$52,523
Interest Coverage	6.9x

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 2017 Core EBITDA, as adjusted. For a calculation of Core EBITDA, see "Interest Coverage". A calculation of Net Debt-to-Core EBITDA is as follows:

CALCULATION OF NET DEBT-TO-CORE EBITDA

(Dollars in thousands)

	<i>Quarter Ending 12/31/2017</i>
Total debt principal ⁽¹⁾	\$7,404,313
Cash and cash in escrow	(201,906)
<i>Net Debt</i>	\$7,202,407
<i>Core EBITDA</i>	\$362,197
Core EBITDA, annualized	\$1,448,788
<i>Net Debt-to-Core EBITDA</i>	5.0x

⁽¹⁾ Balance at December 31, 2017 excludes \$10,850 of debt discount and \$36,386 of deferred financing costs as reflected in unsecured notes, net, and \$16,351 of debt discount and \$11,256 of deferred financing costs as reflected in notes payable on the Condensed Consolidated Balance Sheets.

Projected Stabilized Yield (also expressed as "weighted average initial stabilized yield") is defined as **Projected NOI** as a percentage of **Total Capital Cost**.

Projected NOI represents management's estimate of projected stabilized rental revenue minus projected stabilized operating expenses. Projected NOI is calculated based on the first twelve months of Stabilized Operations, which is defined as the earlier of (i) attainment of 95% physical occupancy or (ii) the one-year anniversary of completion of development, following the completion of construction. Projected stabilized rental revenue represents management's estimate of projected gross potential minus projected stabilized economic vacancy and adjusted for projected stabilized concessions plus projected stabilized other rental revenue. Projected stabilized operating expenses do not include interest, income taxes (if any), depreciation or amortization, or any allocation of corporate-level property management overhead or general and administrative costs. In addition, projected stabilized operating expenses for development communities do not include property management fee expense. Projected gross potential for development communities is based on leased rents for occupied homes and management's best estimate of rental levels for homes which are currently unleased, as well as those homes which will become available for lease during the twelve month forward period used to develop Projected NOI. The weighted average Projected NOI as a percentage of Total Capital Cost is weighted based on the Total Capital Cost of each community.

Total Capital Cost includes all capitalized costs projected to be or actually incurred to develop the respective development community including land acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated

development overhead and other regulatory fees, offset by proceeds from the sale of any associated land or improvements, all as determined in accordance with GAAP. With respect to communities where development was completed in a prior or the current period, Total Capital Cost reflects the actual cost incurred, plus any contingency estimate made by management.

Unencumbered NOI as calculated by the Company represents NOI generated by real estate assets unencumbered by outstanding secured debt 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 ending December 31, 2017 and December 31, 2016 are as follows:

CALCULATIONS OF UNENCUMBERED NOI *(Dollars in thousands)*

	<i>2017</i>	<i>2016</i>
<i>Net income</i>	\$876,660	\$1,033,708
Indirect operating expenses, net of corporate income	65,398	61,403
Investments and investment management expense	5,936	4,822
Expensed acquisition, development and other pursuit costs, net of recoveries	2,736	9,922
Interest expense, net	199,661	187,510
Loss on extinguishment of debt, net	25,472	7,075
General and administrative expense	50,814	46,076
Joint venture income	(70,744)	(64,962)
Depreciation expense	584,150	531,434
Casualty and impairment (gain) loss, net	6,250	(3,935)
Gain on sale of communities	(252,599)	(374,623)
Loss (gain) on other real estate transactions	10,907	(10,224)
NOI from real estate assets sold or held for sale	(14,573)	(44,263)
<i>NOI</i>	\$1,490,068	\$1,383,943
NOI for Established Communities	\$1,112,472	\$1,084,351
NOI for Other Stabilized Communities ⁽¹⁾	196,733	165,530
NOI for Development/Redevelopment Communities ⁽²⁾	180,863	160,816
NOI from real estate assets sold or held for sale	14,573	17,509
<i>Total NOI generated by real estate assets</i>	\$1,504,641	\$1,428,206
NOI on encumbered assets	168,005	281,142
<i>NOI on unencumbered assets</i>	\$1,336,636	\$1,147,064
<i>Unencumbered NOI</i>	89%	80%

⁽¹⁾ NOI for Other Stabilized Communities in 2016 includes \$20,306 of business interruption insurance proceeds related to the Edgewater casualty loss.

⁽²⁾ NOI for Development/Redevelopment Communities in 2017 includes \$3,495 of business interruption insurance proceeds related to the Maplewood casualty loss.

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 S&P Global) during the periods indicated. Core FFO per Share Growth for each year within the timeframe presented may vary. The multifamily sector weighted average includes AIV, CPT, EQR, ESS, MAA and UDR and is weighted based on total market capitalization per S&P Global as of December 31, 2017. 2017 Core FFO per share for CPT and EQR is adjusted to account for large portfolio dispositions which occurred in 2016 (both companies) and resulted in the payment of special dividends. For the purpose of this calculation, the weighted average share count used to calculate the Core FFO per share amounts for CPT and EQR was reduced by the estimated total amount of special dividends paid (per share special dividend multiplied by the quarterly weighted average share count in which the special dividend was paid) divided by the 20-day trailing average stock price prior to the ex-dividend date (see following table for calculations).

EQR (Dollars in thousands)

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Full Year 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full Year 2017
Core FFO	\$289,481	\$290,359	\$297,190	\$302,620	\$1,179,650	\$283,721	\$293,891	\$304,838	\$316,787	\$1,199,237
Wtd. avg. common shares outstanding	382,243	382,065	382,373	381,860	382,135	382,280	382,692	382,945	383,105	382,756
Reported Core FFO per share	\$0.76	\$0.76	\$0.78	\$0.79	\$3.09	\$0.74	\$0.77	\$0.80	\$0.83	\$3.13
Special dividend per share	\$8.00	-	\$3.00	-	-	-	-	-	-	-
Ex-dividend date	3/1/16	-	9/22/16	-	-	-	-	-	-	-
Trailing 20 day stock price period to special dividend	\$73.54	-	\$64.59	-	-	-	-	-	-	-
Shares repurchased	41,585	-	17,761	-	-	-	-	-	-	-
Cumulative shares repurchased	41,585	41,585	59,345	59,345	59,345	59,345	59,345	59,345	59,345	59,345
Adjusted wtd. avg. common shares	340,658	340,480	323,028	322,515	331,670	322,935	323,347	323,600	323,760	382,756
Adjusted Core FFO per share	\$0.85	\$0.85	\$0.92	\$0.94	\$3.56	\$0.88	\$0.91	\$0.94	\$0.98	\$3.71

CPT (Dollars in thousands)

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Full Year 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full Year 2017
Core FFO	\$110,110	\$105,578	\$104,232	\$105,544	\$425,464	\$100,355	\$105,978	\$103,187	\$114,552	\$424,072
Wtd. avg. common shares outstanding	91,593	91,753	91,901	91,926	91,793	92,029	92,074	93,111	97,068	93,571
Reported Core FFO per share	\$1.20	\$1.15	\$1.13	\$1.15	\$4.64	\$1.09	\$1.15	\$1.11	\$1.18	\$4.53
Special dividend per share	-	-	\$4.25	-	-	-	-	-	-	-
Ex-dividend date	-	-	9/21/16	-	-	-	-	-	-	-
Trailing 20 day stock price period to special dividend	-	-	\$87.01	-	-	-	-	-	-	-
Shares repurchased	-	-	4,489	-	-	-	-	-	-	-
Cumulative shares repurchased	-	-	4,489	4,489	-	4,489	4,489	4,489	4,489	4,489
Adjusted wtd. avg. common shares	91,593	91,753	87,412	87,437	89,549	87,540	87,585	88,622	92,579	93,571
Adjusted Core FFO per share	\$1.20	\$1.15	\$1.19	\$1.21	\$4.75	\$1.15	\$1.21	\$1.16	\$1.24	\$4.76



View from 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^(4,5)
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^(2,3)
Chief Information Officer,
Carnival Corporation & plc
A global cruise line

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

Stephen P. Hills
Founding Director, Business
Law Scholars Program,
Georgetown Law

Richard J. Lieb^(2,4)
Managing Director,
Chairman of Real Estate
Greenhill & Co., LLC
An investment bank

Peter S. Rummell^(4,5)
Private Investor

H. Jay Sarles^(1,3,5)
Private Investor

Susan Swanezy^(2,4)
Partner
Hodes Weill & Associates, LP
A global advisory firm

W. Edward Walter^(3,5)
Professor, McDonough School of Business,
Georgetown University

⁽¹⁾ *Lead Independent Director*

⁽²⁾ *Audit Committee*

⁽³⁾ *Compensation Committee*

⁽⁴⁾ *Investment and Finance Committee*

⁽⁵⁾ *Nominating and Corporate Governance Committee*

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

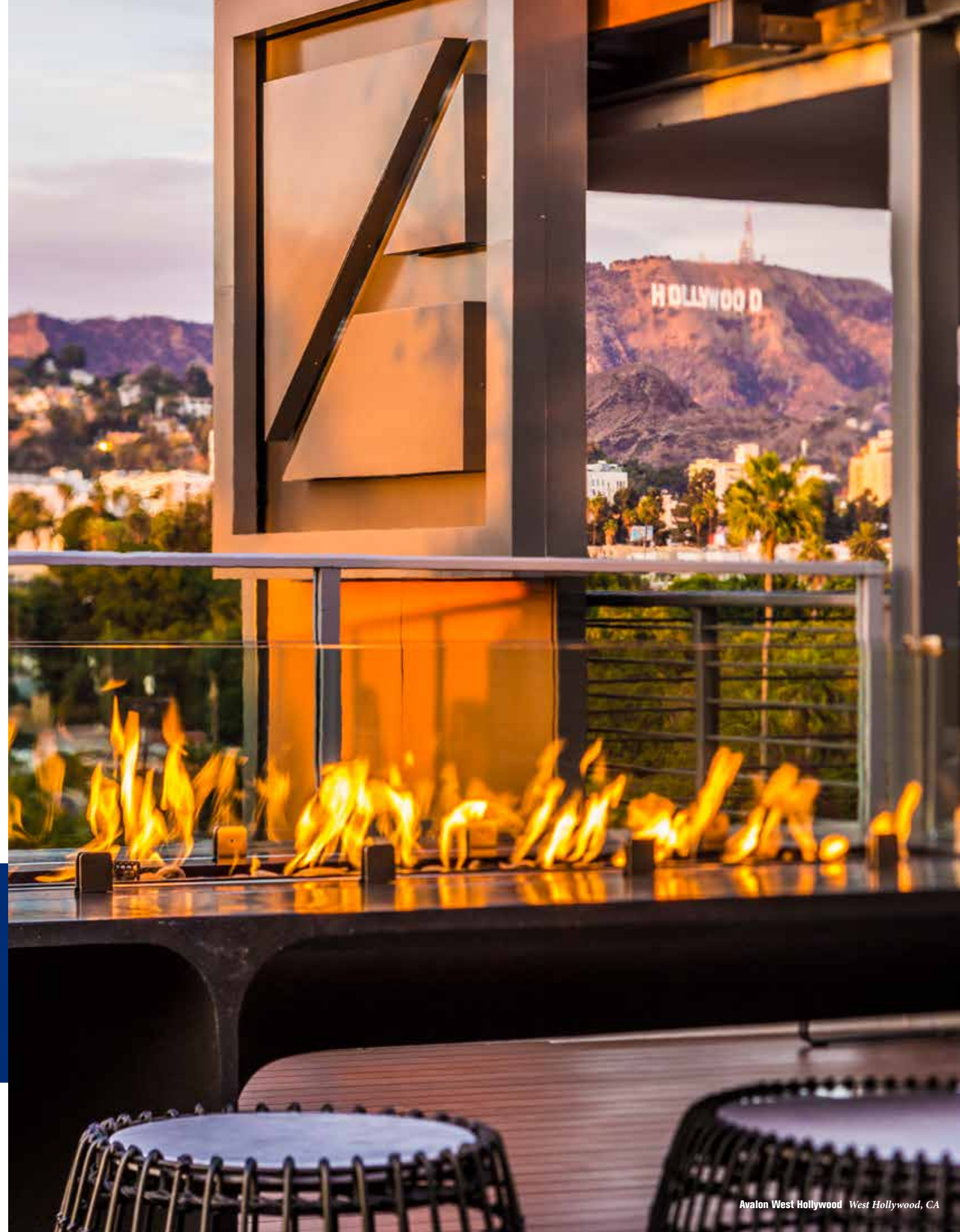
Keri A. Shea
Senior Vice President - Finance & Treasurer
(Principal Accounting Officer)

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

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Phone: 703.329.6300

Website

www.avalonbay.com

Common Stock Listing

(Symbol: AVB)
New York Stock Exchange

Investor Relations Contact

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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

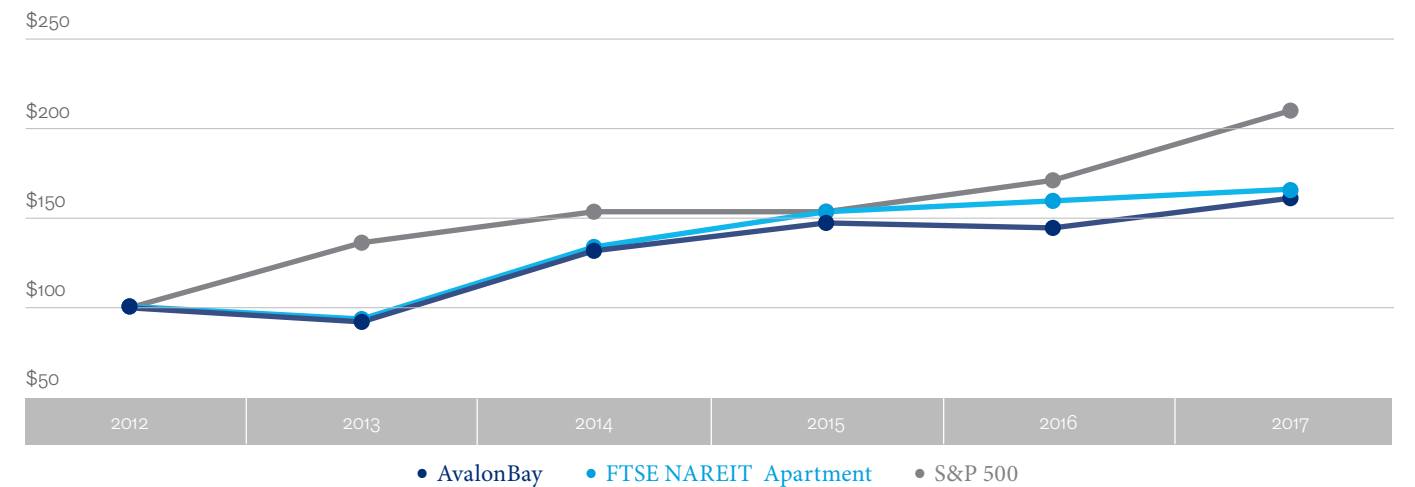
This Annual Report contains "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. Please see our discussion titled "Forward-Looking Statements" on page 51 of our accompanying Annual Report on Form 10-K for a discussion regarding risks associated with these statements.

The **Stock Performance Graph** provides a comparison, from December 2012 through December 2017, 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 NAREIT 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 S&P Global Market Intelligence.

STOCK PERFORMANCE



Period Ending	2012	2013	2014	2015	2016	2017
AvalonBay Communities, Inc.	\$100	90	129	149	148	154
FTSE NAREIT Apartment REIT Index	100	94	131	153	157	163
S&P 500	100	132	151	153	171	208

