



2021 ANNUAL REPORT

DEAR FELLOW STAKEHOLDERS,

Thank you for your continued commitment and engagement as we focus on fulfilling our mission of *Creating a Better Way to Live*.

In 2021, apartment market fundamentals improved throughout the course of the year, and we embarked on our next phase of growth by increasing our development and investment activity, all while navigating the challenges presented by the ongoing pandemic. Thanks to the dedication of our associates, we also furthered our commitment to delivering excellent service to residents, reinforcing the importance of our culture, championing inclusion and diversity, leading in environmental sustainability, and giving back to the communities in which we do business.

As we look forward in 2022, there are several tailwinds that we believe will support some of the strongest full year Core FFO per share growth and Same Store Residential rental revenue growth in the Company's history. We expect the strong occupancy and rent growth trends from the second half of 2021 to continue in 2022, with most lease expirations providing opportunities to capture significant Loss-to-Lease. We anticipate that this internal backdrop, coupled with what we believe to be an undersupplied U.S. housing market, will bode well for our performance in 2022.

Key themes driving our priorities in 2022 include:

- Investing in our operating platform to increase efficiencies and provide enhanced value to prospects and residents.
- Growing the portfolio by increasing development activity.
- Optimizing long-term performance through active asset and portfolio management.
- Leading on corporate responsibility and sustainability.
- Investing in our people and our culture.

The 2021 Review and Looking Ahead sections in this letter provide a more comprehensive review of our successes in 2021 and our priorities for 2022 and beyond.

2021 REVIEW

We entered 2021 with some hope and optimism: vaccines were being rolled out, economic activity was increasing, and apartment demand was improving. These trends, for the most part, accelerated throughout the year and supported an improvement in our financial and operating performance in 2021.

Same Store Move-In Rent Values increased by approximately 23% between January and December of 2021, with Same Store Move-In Rent Values in our Suburban portfolio ending the year up over 7% relative to the pre-Covid peak in mid-2019. Same Store Move-In Rent Values in our Urban portfolio showed strong momentum but still ended the year 4% below the pre-Covid peak in mid-2019. In the fourth quarter of 2021, Same Store Like-Term Effective Rent Change was 11.1% and Economic Occupancy was 96.1%.

We also remained focused on providing quality service to our residents. Our Net Promoter Score rebounded to pre-Covid levels, and our online review sentiment remained strong. Throughout the year, we also continued to navigate a myriad of challenges presented by federal, state, and local orders regulating evictions and renewal increases on existing residents.

As apartment market fundamentals improved throughout 2021, we quickly shifted our focus toward growth, which included a significant increase in our planned investment activity, supported by our strong balance sheet and access to low-cost capital.

Highlights of our 2021 investment activity included:

- Commencing the development of 10 communities, which in the aggregate will contain over 3,000 apartment homes when completed and will be developed for an estimated Total Capital Cost of approximately \$1.25 billion. This level of development start volume was approximately \$500 million above our initial 2021 Outlook⁽¹⁾ for development start volume and represented our highest level of development start volume in five years. The bulk of this activity is in our Established Markets, where our strong development platforms continued to source opportunities that we believe will provide attractive risk-adjusted investment returns.
- Announcing our plan to enter four new markets, Raleigh-Durham and Charlotte, North Carolina, and Dallas and Austin, Texas. We believe these markets, along with our continued growth in our previously identified Expansion Markets of Southeast Florida and Denver, Colorado, will provide an expanded set of growth opportunities.
- Acquiring seven communities, six of which are in our Expansion Markets, containing nearly 2,000 apartment homes and 90,000 square feet of commercial space for an aggregate total purchase price of approximately \$725 million, which represented a recent high in acquisition volume.

We took advantage of the attractive capital markets to support our next phase of growth, which included:

- Completing our first two Green Bond offerings, totaling \$1.1 billion in the aggregate. By combining our Company's leadership in sustainability with our strong credit ratings, we secured this debt at a weighted average effective fixed interest rate of 2.1%.
- Executing nearly \$1 billion of asset sales to support our portfolio optimization strategy, through which we selectively prune older assets with slower-growth profiles and reallocate that capital to new development and the acquisition of recently built communities.
- Reducing our Net Debt-to-Core EBITDA to 5.1x by year-end 2021, which is at the low-end of our 5x to 6x target range for this leverage metric.

Environmental, Social, and Governance ("ESG") leadership continued to be a priority in 2021. The commitment of our associates to these ESG initiatives was recognized by many established ESG-focused firms. In 2021, we were:

- Named to Newsweek's list of America's Most Responsible Companies for the third consecutive year.
- Recognized on the "A list" by global environmental non-profit CDP for our leadership in corporate responsibility.
- Received NAREIT's Leader in the Light award, as the ESG leader in the multifamily REIT industry, for the third consecutive year.
- Earned the top score in the Human Rights Campaign Foundation's 2022 Corporate Equality Index, the nation's foremost benchmarking survey and report that measures corporate policies and practices related to LGBTQ+ workplace equality.

Finally, in early 2022, we completed our planned CEO succession, after working side-by-side throughout 2021 to ensure a smooth transition.

LOOKING AHEAD

We believe the outlook for the overall apartment sector is strong and anticipate that the undersupply of rental and for-sale housing in the U.S. and the prospect of further wage growth for our target renters will continue to support favorable apartment dynamics in 2022. Additionally, we believe the multifamily sector will continue to be one of the favored asset classes among investors based on the fundamental necessity of housing and the sector's proven resilience and growth over the long-term. We expect this backdrop will bode well for apartment values and growth in the value of AvalonBay.

In 2022, we are building upon a solid operating foundation, and we believe that the quality of our communities and the service we deliver will continue to be in high demand as residents spend more time in their homes. We expect our Suburban communities, representing approximately two-thirds of our portfolio⁽²⁾, will continue to produce strong operating results, and that the performance of our Urban communities will improve as more workers return to the office and students to urban universities. We also project that new apartment supply in our markets will remain relatively stable, all of which we believe will support strong operating performance in 2022.

As is often the case, we face some headwinds. Some challenges this year may include heightened levels of uncollectable lease revenue resulting from a regulatory environment that provides more protection for delinquent tenants, and increased operating and construction costs resulting from higher inflation.

On balance, we believe we are entering 2022 from a position of strength. With that said, we also plan to remain nimble and prepared to adjust our plans accordingly.

The following five themes are driving our priorities in 2022:

1. INVESTING IN OUR OPERATING PLATFORM TO INCREASE EFFICIENCIES AND PROVIDE ENHANCED VALUE TO PROSPECTS AND RESIDENTS

We continue to evolve our operating platform by making significant investments in people, technology, and innovation to meet the needs of prospects, residents, and AvalonBay associates to achieve operating efficiencies.

Our goal is to “create seamless, personalized experiences made easy.” And we are doing this by developing a range of digital, self-service experiences so customers can do business with us when and how they want, while giving associates the information they need to build impactful relationships with our prospects and residents.

We expect these investments will improve Same Store Net Operating Income (“NOI”) margins, through a combination of expanded revenue opportunities and operating efficiencies. We are targeting a 200 basis point Same Store NOI margin improvement as a result of these initiatives, with approximately \$10 million of savings captured so far, and an additional \$35 million to \$45 million in savings per year expected over the next two to three years.

Priority operating initiatives in 2022 include:

- Deploying community-wide Wi-Fi to provide our residents with reliable, high-speed internet, that we believe will produce meaningful economic returns.
- Growing revenue streams by increasing renters insurance offerings and sourcing new revenue streams by offering parking and amenity space usage to non-residents.
- Revamping our website to make it easier for prospects to find a home that matches their needs, which will include the ability to fully apply and lease online.

- Accelerating the implementation of smart access to a total of approximately 18,000 apartment homes by year-end 2022, which will unlock enhanced capabilities for services such as self-guided touring.
- Implementing a mobile maintenance application that will enable residents to submit and track service requests and optimize the activities and resources of our maintenance teams.

2. GROWING THE PORTFOLIO BY INCREASING DEVELOPMENT ACTIVITY

We believe our decades-long track record as a leading developer, with deep market knowledge and experience across a breadth of communities and apartment styles – from townhomes to garden-style, to mid-rise, to higher-density – allows us to create meaningful value by tailoring each development to best fit the needs of the local area, as well as continuing to meet the evolving housing needs of our target renters.

In 2022, we plan to⁽³⁾:

- Commence the development of approximately \$1.2 billion of new communities, with almost all this projected investment being allocated to Suburban submarkets where we believe development economics are most attractive, and with approximately 75% of this projected investment being allocated to our Established Markets and the remainder to our Expansion Markets.
- Complete the development of six new communities, containing nearly 2,000 apartment homes and 33,000 square feet of commercial space for an estimated Total Capital Cost of approximately \$775 million.

3. OPTIMIZING LONG-TERM PERFORMANCE THROUGH ACTIVE ASSET AND PORTFOLIO MANAGEMENT

As we continue to grow, we will also focus on optimizing the value and earnings growth potential of the operating portfolio.

We expect that the bulk of our acquisition activity will remain focused in our Expansion Markets, which we hope to collectively grow to approximately 20% to 25% of our portfolio⁽²⁾ through a combination of new development and acquisitions.

We believe these Expansion Markets share many of the same characteristics as our Established Markets, including concentrations of knowledge-based workers and strong housing fundamentals. They also provide portfolio diversification, increased exposure to longer-term population shifts, and diversification away from some of the regulatory risks in our Established Markets.

4. LEADING ON CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Our sustainability priorities heading forward remain directly connected to our mission of *Creating a Better Way to Live* and are focused on reducing waste, water, and energy usage at our communities, and reducing our carbon footprint through the reduction of greenhouse gas emissions.

In 2020, we established long-term Science-Based Emissions Targets, with a goal of reducing Scope 1 and Scope 2 greenhouse gas emissions by 53% per square foot and reducing Scope 3 greenhouse house gas emissions by 47% per square foot by 2030. We remain committed to these goals and are one of only five publicly listed REITs that have tied progress on Science-Based Emissions Targets to compensation⁽⁴⁾.

Our priorities in 2022 include:

- Reducing waste, water, and energy usage at our communities, and reducing our carbon footprint through the reduction of greenhouse gas emissions.
- Continuing to evaluate, and take action to improve, the climate resiliency of our portfolio.
- Progressing toward the long-term Leadership Diversity Goals⁽⁵⁾ that we established in 2020.

In an area of increasing importance for our residents, associates and investors, our goal is to keep AvalonBay on the forefront as an industry leader in sustainability and corporate responsibility.

5. INVESTING IN OUR PEOPLE AND OUR CULTURE

At the heart of what we do are the 3,000 AvalonBay associates who are driven every day by our purpose — *Creating a Better Way to Live* — and our core values — *a commitment to integrity, a spirit of caring, and a focus on continuous improvement*. These principles create a culture that, over time, has shaped the ways in which we communicate and interact with one another, our customers, our consultants, our vendors, our shareholders and lenders, and the communities in which we do business.

Purpose, values, and culture have become the connective tissue that have, in large part, contributed to our success over the last three decades. AvalonBay is an amazing place because of its people, and it is our responsibility to continue to invest in them and to champion an inclusive and diverse culture that attracts, retains, and provides growth opportunities to associates.

CONCLUSION

Apartment market fundamentals strengthened throughout 2021, contributing to an improvement in our financial and operating performance. We embarked on our next phase of growth, our associates continued to deliver the exceptional level of service that our residents have become accustomed to receiving, and we remained focused on doing our part to be a leading corporate citizen.

We believe we are entering 2022 from a position of strength, and we are looking forward to the growth opportunities that lie ahead, executing on initiatives to improve our operating efficiency, remaining an ESG leader, and nurturing our culture — which we believe is the secret to our success.

As always, thank you to our stakeholders for your continued support, to our residents who have chosen to make an AvalonBay community their home, and to our associates for their tireless efforts and commitment.



Timothy J. Naughton

Executive Chairman



Benjamin W. Schall

Chief Executive Officer & President

NOTES

1. Reflects the midpoint of the range provided by the Company on February 3, 2021.
2. Based on management's estimate of fair market value as of December 31, 2021.
3. Initial 2022 Outlook provided on February 2, 2022. Development projections referenced reflect the midpoint of the range as provided by the Company on February 2, 2022. The use of these projections in this letter is not a reaffirmation of these projections or a confirmation with respect to the accuracy of the projections as of any date after February 2, 2022.
4. Per Morgan Stanley Equity Research, as of March 14, 2021.
5. The Leadership Diversity Goals include (i) increasing women in leadership to achieve gender parity by 2025, and (ii) increasing underrepresented minorities in leadership to 20% by 2025 and to 25% by 2030 (leadership defined as Director level and above).

DEFINITIONS AND RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES AND OTHER TERMS USED IN THIS LETTER

EBITDA, EBITDAre and Core EBITDAre are considered by management to be supplemental measures of our financial performance. EBITDA is defined by the Company as net income or loss attributable to the Company before interest expense, income taxes, depreciation and amortization. EBITDAre is calculated by the Company in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("Nareit"), as EBITDA plus or minus losses and gains on the disposition of depreciated property, plus impairment write-downs of depreciated property, with adjustments to reflect the Company's share of EBITDAre of unconsolidated entities. Core EBITDAre is the Company's EBITDAre as adjusted for non-core items outlined in the table below. By further adjusting for items that are not considered part of the Company's core business operations, Core EBITDAre can help one compare the core operating and financial performance of the Company between periods. A reconciliation of EBITDA, EBITDAre and Core EBITDAre to net income is as follows (dollars in thousands):

	Q4 2021
Net income	\$ 335,298
Interest expense and loss on extinguishment of debt	55,911
Income tax expense	4,299
Depreciation expense	197,036
EBITDA	<u>\$ 592,544</u>
Gain on sale of communities	(213,881)
Unconsolidated entity EBITDAre adjustments (1)	2,983
EBITDAre	<u>\$ 381,646</u>
Unconsolidated entity gains, net	(5,814)
Casualty and impairment loss	2
Advocacy contributions	59
Executive transition compensation costs	411
Severance related costs	(73)
Development pursuit write-offs and expensed transaction costs, net of recoveries	788
Gain on for-sale condominiums	(1,059)
For-sale condominium marketing, operating and administrative costs	634
Gain on other real estate transactions, net	(95)
Legal settlements	39
Core EBITDAre	<u>\$ 376,538</u>

(1) Includes joint venture interest, taxes, depreciation, gain on dispositions of depreciated real estate and impairment losses, if applicable, included in net income.

Economic Occupancy is defined as total possible Residential revenue less vacancy loss as a percentage of total possible Residential revenue. Total possible Residential revenue (also known as “gross potential”) is determined by valuing occupied units at contract rates and vacant units at Market Rents. Vacancy loss is determined by valuing vacant units at current Market Rents. By measuring vacant apartments at their Market Rents, Economic Occupancy takes into account the fact that apartment homes of different sizes and locations within a community have different economic impacts on a community’s gross revenue.

Established Markets include markets located in New England, the New York/New Jersey Metro area, the Mid-Atlantic, the Pacific Northwest, and Northern and Southern California.

Expansion Markets include Raleigh-Durham and Charlotte, North Carolina, Southeast Florida, Dallas and Austin, Texas, and Denver, Colorado.

FFO and Core FFO are considered by management to be supplemental measures of our operating and financial performance. FFO is calculated by the Company in accordance with the definition adopted by Nareit. FFO is calculated by the Company as Net income or loss attributable to common stockholders computed in accordance with GAAP, adjusted for gains or losses on sales of previously depreciated operating communities, cumulative effect of a change in accounting principle, impairment write-downs of depreciable real estate assets, write-downs

of investments in affiliates which are driven by a decrease in the value of depreciable real estate assets held by the affiliate and depreciation of real estate assets, including adjustments for unconsolidated partnerships and joint ventures. By excluding gains or losses related to dispositions of previously depreciated operating communities and excluding real estate depreciation (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO can help one compare the operating and financial performance of a company's real estate between periods or as compared to different companies. Core FFO is the Company's FFO as adjusted for non-core items. By further adjusting for items that are not considered by us to be part of our core business operations, Core FFO can help one compare the core operating and financial performance of the Company between periods.

Like-Term Effective Rent Change represents the percentage change in effective rent between two leases of the same lease term category for the same apartment. The Company defines effective rent as the contractual rent for an apartment less amortized concessions and discounts.

Loss-to-Lease represents the percentage difference between the average market rent and average gross potential rent, excluding the impact of regulatory constraints (e.g., rent regulation, rent control, other) that limit rent increases in certain regions.

Move-in Rent Value reflects the average effective rent that our apartments would rent for based on recent leasing activity, adjusting for apartment specific characteristics (e.g., view premiums, renovation premiums). For a given month, up to the ten most recent leases during the immediately preceding last three months are used for each unit type at a property. If no recent leasing activity has occurred for a sparse unit type, then active leases or current asking rents, in that order, would be used.

Net Debt-to-Core EBITDAre is calculated by the Company as total debt (secured and unsecured notes and the Company's variable rate unsecured credit facility) that is consolidated for financial reporting purposes, less consolidated cash and cash in escrow, divided by annualized fourth quarter 2021 Core EBITDAre. A calculation of Net Debt-to-Core EBITDAre is as follows (dollars in thousands):

	Q4 2021
Total debt principal (1)	\$ 8,170,431
Cash and cash in escrow	(543,788)
Net debt	<u>\$ 7,626,643</u>
Core EBITDAre	\$ 376,538
Core EBITDAre, annualized	1,506,152
Net Debt-to-Core EBITDAre	<u>5.1x</u>

(1) Balance at December 31, 2021 excludes \$10,033 of debt discount and \$40,573 of deferred financing costs as reflected in unsecured notes, net, and \$13,528 of debt discount and \$2,750 of deferred financing costs.

NOI is defined by the Company as total property revenue less direct property operating expenses (including property taxes), and excluding corporate-level income (including management, development and other fees),

corporate-level property management and other indirect operating expenses, expensed transaction, development and other pursuit costs, net of recoveries, interest expense, net, loss (gain) on extinguishment of debt, net, general and administrative expense, income from investments in unconsolidated entities, depreciation expense, corporate income tax expense (benefit), casualty and impairment loss, gain on sale of communities, gain on other real estate transactions, net, net for-sale condominium activity and net operating income from real estate assets sold or held for sale. The Company considers NOI to be an important and appropriate supplemental performance measure to Net Income of operating performance of a community or communities because it helps both investors and management to understand the core operations of a community or communities prior to the allocation of any corporate-level property management overhead or financing-related costs. NOI reflects the operating performance of a community, and allows for an easier comparison of the operating performance of individual assets or groups of assets. In addition, because prospective buyers of real estate have different financing and overhead structures, with varying marginal impact to overhead as a result of acquiring real estate, NOI is considered by many in the real estate industry to be a useful measure for determining the value of a real estate asset or groups of assets.

Residential NOI represents results attributable to the Company's apartment rental operations, including parking and other ancillary Residential revenue.

Residential represents results attributable to the Company's apartment rental operations, including parking and other ancillary Residential revenue.

Same Store is composed of consolidated communities in the markets where the Company has a significant presence and where a comparison of operating results from the prior year to the current year is meaningful, as these communities were owned and had Stabilized Operations, as defined below, as of the beginning of the respective prior year period.

Stabilized Operations is defined as the earlier of (i) attainment of 90% physical occupancy or (ii) the one-year anniversary of completion of development or redevelopment.

Suburban portfolio/communities are communities located in submarkets with less than 3,500 households per square mile.

Total Capital Cost includes all capitalized costs projected to be or actually incurred to develop the respective Development or Redevelopment 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. Total Capital Cost also includes costs incurred related to first generation commercial tenants, such as tenant improvements and leasing commissions. For Redevelopment communities, Total Capital Cost excludes costs incurred prior to the start of redevelopment when indicated. With respect to communities where development or redevelopment was completed in a prior or the current period, Total Capital Cost reflects the actual cost incurred, plus any contingency estimate made by management. Total Capital Cost for communities identified as having joint venture ownership, either during construction or upon construction completion, represents the total projected joint venture contribution amount. For joint ventures not in construction, Total Capital Cost is equal to gross real estate cost.

Urban portfolio/communities are communities located in submarkets with 3,500 households or more per square mile.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2021

Commission file number 1-12672

AVALONBAY COMMUNITIES, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

77-0404318
(I.R.S. Employer
Identification No.)

4040 Wilson Blvd., Suite 1000
Arlington, Virginia 22203
(Address of principal executive offices, including zip code)

(703) 329-6300
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	AVB	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the registrant's Common Stock, par value \$.01 per share, held by nonaffiliates of the registrant, as of June 30, 2021 was \$29,036,990,171.

The number of shares of the registrant's Common Stock, par value \$.01 per share, outstanding as of January 31, 2022 was 139,752,486.

Documents Incorporated by Reference

Portions of AvalonBay Communities, Inc.'s Proxy Statement for the 2022 annual meeting of stockholders, a definitive copy of which will be filed with the SEC within 120 days after the year end of the year covered by this Form 10-K, are incorporated by reference herein as portions of Part III of this Form 10-K.

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PART I

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Our actual results could differ materially from those set forth in each forward-looking statement. Certain factors that might cause such a difference are discussed in this report, including in the section entitled “Forward-Looking Statements” included in this Form 10-K. You should also review Item 1A. “Risk Factors” for a discussion of various risks that could adversely affect us.

ITEM 1. BUSINESS

General

AvalonBay Communities, Inc. (the “Company,” which term, unless the context otherwise requires, refers to AvalonBay Communities, Inc. together with its subsidiaries), is a Maryland corporation that has elected to be treated as a real estate investment trust (“REIT”) for federal income tax purposes. We develop, redevelop, acquire, own and operate multifamily apartment communities in New England, the New York/New Jersey metro area, the Mid-Atlantic, the Pacific Northwest, and Northern and Southern California, as well as in our expansion markets of Raleigh-Durham and Charlotte, North Carolina, Southeast Florida, Dallas and Austin, Texas, and Denver, Colorado. We focus on leading metropolitan areas that we believe historically have been 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 have offered, and will continue in the future to 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.

At January 31, 2022, we owned or held a direct or indirect ownership interest in:

- 278 operating apartment communities containing 81,803 apartment homes in 12 states and the District of Columbia, of which 268 communities containing 79,213 apartment homes were consolidated for financial reporting purposes and 10 communities containing 2,590 apartment homes were held by unconsolidated entities in which we hold an ownership interest.
- 17 wholly-owned apartment communities under development that are expected to contain an aggregate of 5,386 apartment homes when completed and two unconsolidated investments which each hold an apartment community under development and together are expected to contain an aggregate of 803 apartment homes when completed.
- The Park Loggia, which contains 172 for-sale residential condominiums, of which 132 have been sold as of January 31, 2022, and 66,000 square feet of commercial space, of which 87% has been leased as of January 31, 2022.
- Rights to develop an additional 27 communities that, if developed as expected, will contain 10,092 apartment homes.

We generally obtain ownership in an apartment community by developing a new community on either vacant land or land with improvements that we raze, or by acquiring an existing community. In selecting sites for development or acquisition, we favor locations that are near expanding employment centers and convenient to transportation, recreation areas, entertainment, shopping and dining.

Our principal financial goal is to increase long-term shareholder value through the development, redevelopment, acquisition, ownership and, when appropriate, disposition of apartment communities in our markets. To help meet this goal, we regularly (i) monitor our investment allocation by geographic market and product type, (ii) develop, redevelop and acquire interests in apartment communities in our selected markets, (iii) selectively sell apartment communities that no longer meet our long-term strategy or when opportunities are presented to realize a portion of the value created through our investment and redeploy the proceeds from those sales and (iv) maintain a capital structure that we believe is aligned with our business risks and allows us to maintain continuous access to cost-effective capital. We undertake our development and redevelopment activities primarily through in-house development and redevelopment teams, which are complemented by our in-house acquisition platform. We believe that our organizational structure, which includes dedicated development and operational teams, and strong culture are key differentiators. We pursue our development, redevelopment, investment and operating activities with the purpose of *Creating a Better Way to Live*.

Our strategic vision is to be the leading apartment company in select US markets, providing a range of distinctive living experiences that customers value. We pursue this vision by targeting what we believe are among the best markets and submarkets, leveraging our strategic capabilities in market research and consumer insight and being disciplined in our capital allocation and balance sheet management. We operate our apartment communities under four core brands, Avalon, AVA, eaves by Avalon and our Kanso brand which we introduced in 2020. We believe that this branding differentiation allows us to target our product offerings to multiple customer groups and submarkets within our existing geographic footprint. Our core “Avalon” brand focuses on upscale apartment living and high end amenities and services. “AVA” targets customers in high energy, transit-served neighborhoods and generally feature smaller apartments, many of which are designed for roommate living, and a variety of active common spaces that encourage socialization. “eaves by Avalon” is targeted to the cost conscious, “value” segment primarily in suburban areas. In 2020, we introduced our “Kanso” brand through one of our current Development Communities. The Kanso brand is designed to create an apartment living experience that offers simplicity without sacrifice at a more moderate price point, featuring high-quality apartment homes, limited-to-no community amenities and a low-touch, largely self-service operating model that leverages technology and smart access. We believe that these brands allow us to further penetrate our existing markets by appealing to different consumer preferences.

During the three years ended December 31, 2021, we:

- acquired 12 apartment communities, excluding unconsolidated investments, and in 2019 we purchased our joint venture partner's interest in one operating community, obtaining a 100% ownership in that apartment community;
- disposed of 24 apartment communities, excluding unconsolidated investments;
- realized our pro rata share of the gain from the sale of four communities owned by unconsolidated real estate entities; and
- completed the development of 24 apartment communities and the redevelopment of nine apartment communities.

A more detailed description of our unconsolidated real estate entities and the related investment activity can be found in Note 5, “Investments,” of the Consolidated Financial Statements in Item 8 of this report and in Item 7. “Management's Discussion and Analysis of Financial Condition and Results of Operations.”

A further discussion of our development, redevelopment, disposition, acquisition, property management and related strategies follows.

Development Strategy. We select land for development and follow established procedures that we believe minimize both the cost and the risks of development. As one of the largest developers of multifamily rental apartment communities in our selected markets, we maintain regional offices to identify and support development opportunities through local market presence and access to local market information. In addition to our principal executive office in Arlington, Virginia, we also have regional offices, administrative offices or specialty offices, including offices that are in or near the following cities:

- Bellevue, Washington;
- Boca Raton and Miami, Florida;
- Boston, Massachusetts;
- Chapel Hill, North Carolina;
- Denver, Colorado;
- Irvine, California;
- Los Angeles, California;
- Melville, New York;
- New York, New York;
- San Francisco, California;
- San Jose, California;
- Shelton Connecticut;
- Virginia Beach, Virginia; and
- Westfield, New Jersey.

After selecting a site for development, we usually negotiate for the right to acquire the site either through an option or a long-term conditional contract. Options and long-term conditional contracts generally allow us to acquire an interest in the site after the completion of entitlements and shortly before the start of construction, which reduces development-related risks and preserves capital. However, as a result of competitive market conditions for land suitable for development, we have sometimes acquired and held land prior to construction for extended periods while entitlements are obtained, or acquired land zoned for uses other than residential with the potential for rezoning. When acquiring improved land with existing commercial uses prior to development, any rent received in excess of expenses from these operations, which we consider to be incidental, is accounted for as a reduction in our investment in the development pursuit and not as net income. Any expenses relating to these operations, in excess of any rents received, are recognized in net income. We have also participated, and may in the future participate, in master planned or other large multi-use developments where we commit to build infrastructure (such as roads) to be used by other participants or commit to act as construction manager or general contractor in building structures or spaces for third parties (such as unimproved ground floor commercial space, municipal garages or parks). Costs we incur in connection with these activities may be accounted for as additional invested capital in the community or we may earn fee income for providing these services. Particularly with large scale, urban in-fill developments, we may engage in significant environmental remediation efforts to prepare a site for construction. For further discussion of our Development Rights, refer to Item 2. “Properties” in this report.

We generally act as our own general contractor and construction manager, except for certain mid-rise and high-rise apartment communities, or in locations where we have limited historical experience such as our expansion markets where we may elect to use third-party general contractors as construction managers. We generally perform these functions directly (although we may use a wholly-owned subsidiary) both for ourselves and for the joint ventures and partnerships of which we are a member or a partner. We believe direct involvement in construction enables us to achieve higher construction quality, greater control over construction schedules and cost savings. Our development, property management and construction teams monitor construction progress to ensure quality workmanship and a smooth and timely transition into the leasing and operating phase.

Throughout this report, the term “development” is used to refer to the entire property development cycle, including pursuit of zoning approvals, procurement of architectural and engineering designs and the construction process. References to “construction” refer to the actual construction of the property, which is only one element of the development cycle.

Redevelopment Strategy. When we undertake the redevelopment of a community, our goal is to renovate and/or rebuild an existing community so that our total investment is generally below replacement cost and the community is well positioned in the market to achieve attractive returns on our capital. We have dedicated redevelopment teams and procedures that are intended to control both the cost and risks of redevelopment. Our redevelopment teams, which include redevelopment, construction and property management personnel, monitor redevelopment progress.

Throughout this report, the term “redevelopment” is used to refer to the entire redevelopment cycle, including planning and procurement of architectural and engineering designs, budgeting and actual renovation work. The actual renovation work is referred to as “reconstruction,” which is only one element of the redevelopment cycle.

Disposition Strategy. We sell assets that no longer meet our long-term strategy or when real estate market conditions are favorable, and we redeploy the proceeds from those sales to develop, redevelop and acquire communities and to rebalance our portfolio across or within geographic regions. This also allows us to realize a portion of the value created through our investments and provides additional liquidity by redeploying the net proceeds from our dispositions in lieu of raising that amount of capital externally. When we decide to sell a community, we generally solicit competing bids from unrelated parties for these individual assets and consider the sales price and other terms of each proposal.

As part of the Archstone Acquisition in 2013 (as defined in Item 1. “Business” in the Company's Form 10-K filed February 22, 2019), we acquired, and still own, 14 assets that had previously been contributed by third parties on a tax-deferred basis to an Archstone partnership in which the third parties received ownership interests. To protect the tax-deferred nature of the contribution, the third parties are entitled to cash payments if we trigger tax obligations to the third parties by selling, or failing to maintain sufficient levels of secured financing on, the contributed assets. Our tax protection payment obligations with respect to these assets expire at different times and in some cases don't expire until the death of a third party who contributed ownership interests to the Archstone partnership. After review and investigation of Archstone's tax and accounting records, we estimate that, had we sold or taken other triggering actions in 2021 with respect to all 14 assets, the aggregate amount of the tax protection payments that would have been triggered would have been approximately \$45,100,000. At the present time, we do not intend to take actions that would cause us to be required to make tax protection payments with respect to any of these assets.

Acquisition Strategy. Our core competencies in development and redevelopment discussed above allow us to be selective in the acquisitions we target. Acquisitions allow us to achieve rapid penetration into markets in which we desire an increased presence. Acquisitions (and dispositions) also help us achieve our desired product mix or rebalance our portfolio. While we are primarily focused on acquisitions in our expansion markets of Raleigh-Durham and Charlotte, North Carolina, Southeast Florida, Dallas and Austin, Texas, and Denver, Colorado, we may pursue additional investments in our legacy coastal markets based on market conditions.

Property Management Strategy. We seek to increase operating income through innovative, proactive property management that will result in higher revenue from communities while constraining operating expenses. Our principal strategies to maximize operating income include:

- focusing on associate engagement and resident satisfaction;
- staggering lease terms such that lease expirations are matched with seasonal demand;
- delivering high occupancy with premium pricing for various customer segments; and
- making innovations in our operating model through (i) leveraging technology, including digital, cloud and various automation technologies and (ii) data science to optimize revenue from the portfolio, while reducing customer acquisition, transaction and retention costs.

Constraining growth in operating expenses is another way in which we seek to increase earnings growth. Growth in our portfolio and the resulting increase in revenue allows for fixed operating costs to be spread over a larger volume of revenue, thereby increasing operating margins. We constrain growth in operating expenses in a variety of ways, which include, but are not limited to, the following:

- purchase order controls, acquiring goods and services from pre-approved vendors;
- national negotiated contracts and bulk purchases where possible;
- bidding third-party contracts on a volume basis;
- retaining residents through high levels of service, which reduces apartment turnover costs, marketing and vacant apartment utility costs;
- performing turnover work in-house or hiring third parties, generally considering the most cost effective approach as well as expertise needed to perform the work;
- regular preventive maintenance to maximize resident safety and satisfaction and property and equipment life;
- centralization of many community administration and support tasks at our shared service center;
- pursuing real estate tax appeals;
- installing high efficiency lighting and water fixtures, cogeneration systems and solar panels; and
- implementing technology for resident and prospect services such as package lockers and self guided or virtual tours.

On-site property management teams receive bonuses based largely upon the revenue, expense, Net Operating Income (“NOI”) and customer service metrics produced at their respective communities. We use and continuously seek ways to improve technology applications to help manage our communities, believing that the accurate collection of financial and resident data will enable us to maximize revenue and control costs through careful leasing decisions, maintenance decisions and financial management.

We generally manage the operation and leasing activity of our communities directly (although we may use a wholly-owned subsidiary) both for ourselves and the joint ventures and partnerships of which we are a member or a partner. From time to time we may engage a third party to manage leasing and/or maintenance activity at one or more of our communities where we have limited historical experience such as our expansion markets or for other reasons.

From time to time we also pursue or arrange ancillary services for our residents to provide additional revenue sources or increase resident satisfaction. We provide such non-customary services to residents or share in the revenue or income from such services through a “taxable REIT subsidiary,” which is a subsidiary that is treated as a “C corporation” subject to federal income taxes. See “Tax Matters” below.

Financing Strategy. Our financing strategy is to maintain a capital structure that provides financial flexibility to help ensure we can select cost effective capital market options that are well matched to our business risks. We estimate that our short-term liquidity needs will be met from cash on hand, borrowings under our \$1,750,000,000 revolving variable rate unsecured credit facility (the “Credit Facility”), sales of current operating communities and/or issuance of additional debt or equity securities. A determination to engage in an equity or debt offering depends on a variety of factors such as general market and economic conditions, our short and long-term liquidity needs, the relative costs of debt and equity capital and growth opportunities. A summary of debt and equity activity for the last three years is reflected on our Consolidated Statement of Cash Flows of the Consolidated Financial Statements set forth in Item 8 of this report.

We have entered into, and may continue in the future to enter into, joint ventures (including limited liability companies or partnerships) through which we would develop and/or own an indirect economic interest of less than 100% of the community or communities owned directly by such joint ventures. Our decision to either hold an apartment community in fee simple or to have an indirect interest in the community through a joint venture is based on a variety of factors and considerations, including: (i) the economic and tax terms required by a seller of land or of a community; (ii) our desire to diversify our portfolio of communities by market, submarket and product type; (iii) our desire at times to preserve our capital resources to maintain liquidity or balance sheet strength; and (iv) our projection, in some circumstances, that we will achieve higher returns on our invested capital or reduce our risk if a joint venture vehicle is used. Investments in joint ventures are not limited to a specified percentage of our assets. Each joint venture agreement is individually negotiated, and our ability to operate and/or dispose of a community in our sole discretion may be limited to varying degrees depending on the terms of the joint venture agreement.

In addition, from time to time, we may offer shares of our equity securities, debt securities or options to purchase stock in exchange for property. We may also acquire properties in exchange for properties we currently own.

Other Strategies and Activities. While we emphasize equity real estate investments in rental apartment communities, we have the ability to invest in other activities and to make non-equity investments, including the following:

- Commercial space: we own and lease commercial space at our communities when either (i) the highest and best use of the space is for commercial (e.g., street level in an urban area); (ii) we believe the commercial space will enhance the attractiveness of the community to residents or; (iii) some component of commercial space is required to obtain entitlements to build apartment homes. As of December 31, 2021, we had a total of approximately 867,000 square feet of rentable commercial space, excluding commercial space within communities currently under development. Gross rental revenue provided by leased commercial space in 2021 was \$31,885,000 (1.4% of total revenue).
- For-sale real estate development: we may also develop a property in conjunction with another real estate company that will own and operate the commercial or for-sale residential components of a mixed-use building or project that we help develop. We may from time to time, through a taxable REIT subsidiary ("TRS"), develop real estate and hold it out for sale upon completion if we believe, at the outset or due to changed circumstances, that this will be the best use or disposition opportunity for the property, as is the case with our sale of apartment condominium units at The Park Loggia condominium development in New York, NY.
- Property technology and environmental investments: we have also invested, either through a wholly-owned TRS, or in an investment vehicle that has elected to be treated as a TRS, in companies (and in venture funds that invest in companies) that provide technology services to the real estate industry, and we have invested, through a TRS, in environmentally focused investment funds to further our sustainability efforts and learning. As of December 31, 2021, we invested \$17,277,000 in various property technology and environmentally focused companies directly and indirectly through investment management funds.
- Debt financing: while we generally invest in equity through fee simple ownership or an equity investment in a joint venture, we may invest in mortgages (including participating or convertible mortgages) secured by real estate owned or being developed by an unaffiliated third party, and we may act as a direct, unsecured lender to an unaffiliated third party that owns or is developing real estate. At December 31, 2021, we had no such investments but were pursuing opportunities to make such investments.

We have not engaged in trading, underwriting or agency distribution or sale of securities of other issuers and do not intend to do so. At all times we intend to make investments in a manner so as to qualify as a REIT unless, because of circumstances or changes to the Internal Revenue Code of 1986, as amended (the "Code") (or the Treasury Regulations thereunder), our Board of Directors determines that it is no longer in our best interest to qualify as a REIT.

We conduct many of the administrative functions associated with our property operations (including billing, collections, and response to resident inquiries) through an internally operated shared services center, rather than having on-site associates conduct such activities. We believe this centralized platform allows our on-site associates to focus more on current and prospective resident services, while at the same time enabling us to reduce costs, mitigate risk and increase our availability and responsiveness to our residents. We are exploring the possibility of performing these shared service center administrative functions for a third party as a means of creating an additional revenue stream and economies of scale at our center. We cannot assure that we will provide such services to a third party or that it will be successful if we do so.

Tax Matters

We filed an election with our 1994 federal income tax return to be taxed as a REIT under the Code and intend to maintain our qualification as a REIT in the future. As a REIT, with limited exceptions, such as those described under "Property Management Strategy" above, we will not be taxed under federal and certain state income tax laws at the corporate level on our taxable net income to the extent such taxable net income is distributed to our stockholders. We expect to make sufficient distributions to avoid income tax at the corporate level. While we believe that we are organized and qualified as a REIT and we intend to operate in a manner that will allow us to continue to qualify as a REIT, there can be no assurance that we will be successful in this regard. Qualification as a REIT involves the application of highly technical and complex provisions of the Code for which there are limited judicial and administrative interpretations and involves the determination of a variety of factual matters and circumstances not entirely within our control.

Competition

We face competition from other real estate investors, including insurance companies, pension and investment funds, REITs both in the multifamily as well as other sectors, and other well capitalized investors, to acquire and develop apartment communities and acquire land for future development. As an owner and operator of apartment communities, we also face competition for prospective residents from other operators whose communities may be perceived to offer a better location or better amenities or whose pricing may be perceived as a better value given the quality, location, terms and amenities that the prospective resident seeks. We also compete against condominiums and single-family homes that are for sale or rent, including those offered through online platforms. Although we often compete against large, sophisticated developers and operators for development opportunities and for prospective residents, real estate developers and operators of any size can provide effective competition for both real estate assets and potential residents.

Regulatory Matters

Compliance with various governmental regulations has an impact on our business, including our capital expenditures, earnings and competitive position, which can be material. We incur costs to monitor and take actions to comply with governmental regulations that are applicable to our business, which include, among others, federal securities laws and regulations, applicable stock exchange requirements, REIT and other tax laws and regulations, environmental and health and safety laws and regulations, local zoning, usage and other regulations relating to real property, the Americans with Disabilities Act of 1990 and related laws and regulations.

Environmental Regulations. As a current or prior owner, operator and developer of real estate, we are subject to various federal, state and local environmental laws, regulations and ordinances and also could be liable to third parties resulting from environmental contamination or noncompliance at our communities. For some Development Communities, we undertake extensive environmental remediation to prepare the site for construction, which could be a significant portion of our total construction cost. Environmental remediation efforts could expose us to possible liabilities for accidents or improper handling of contaminated materials during construction.

We believe that more government regulation of energy use, along with a greater focus on environmental protection, may, over time, have a significant impact on urban growth patterns. If changes in zoning to encourage greater density and proximity to mass transit do occur, such changes could benefit multifamily housing and those companies with a competency in high-density development. However, there can be no assurance as to whether or when such changes in regulations or zoning will occur or, if they do occur, whether the multifamily industry or the Company will benefit from such changes.

Regulations Relating to the Construction, Operation and Leasing of Our Communities. The construction, operation and leasing of our communities is subject to federal, state and local laws and regulations, include zoning laws, building codes, requirements that our communities be accessible to persons with disabilities, fair housing laws, and, depending on the jurisdiction, regulations regarding the charging of rents and fees and increases in such amounts upon renewal of leases. Some laws relating to the setting of rents apply broadly, such as in California, where residential rent increases at renewal in communities older than fifteen years are limited to the lesser of 10% or 5% plus local consumer price index (CPI), and in New York, where laws regulate increases on those units that are subject to rent-control or rent-stabilization. In California, the Governor and local governments have the ability to enact (and have in recent years exercised such right, for example, in connection with wildfires) local or statewide states of emergency which limit our ability to increase new and renewal rents to no more than 10% over the rent in place on the date such state of emergency was declared, which has impacted some of our California communities. In addition, various temporary federal, state and local laws enacted during the COVID-19 pandemic have imposed additional regulations of or limitations on our ability to evict tenants who are delinquent in payment of their rent, charge late fees, or raise rents more than a regulated amount upon renewal.

See Part I, Item 1A. “Risk Factors” for a discussion of material risks to us, including, to the extent material, to our competitive position, relating to governmental regulations, and see Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” together with the Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements included elsewhere in this report, for a discussion of material information relevant to an assessment of our financial condition and results of operations.

Human Capital

Attracting, motivating, developing, and retaining talented associates who share our purpose, core values and cultural norms is important to our long-term success. We train our associates to understand our purpose (*Creating a Better Way to Live*), our core

values (a commitment to integrity, a spirit of caring and a focus on continuous improvement) and our cultural norms (we collaborate, excel, innovate, act like owners, are thoughtful and thorough, and show appreciation).

At January 31, 2022, we had 2,927 employees, of which approximately 97% were employed on a full-time basis. Approximately 70% of our associates work on-site at our operating communities and the balance work on other matters. None of our associates are represented by a union except for approximately 20 maintenance associates at communities in Westchester County, New York, where we are in the process of negotiating a collective bargaining agreement.

We consider the following aspects of human capital management to be important:

Diversity and Inclusion. We value workforce diversity and an inclusive culture. We believe that a diverse workplace will produce a variety of perspectives, motivate associates and help us understand and better serve our customers and the communities in which we do business. At January 31, 2022, 38% of our associates self-identified as White, 30% as Hispanic, 14% as Black, 6% as Asian, and 12% as other ethnicities, two or more ethnicities or did not respond. At January 31, 2022, 61% of our associates self-identified as male and 39% as female. We are committed to promoting and achieving greater workplace diversity and have undertaken active steps to further this goal.

Associate Engagement. We monitor the engagement of our associates, receive feedback from our associates, and benchmark our performance by having a third party firm conduct anonymous associate perspective surveys each year. The results are discussed and presented both on a company-wide basis and within each functional group.

Safety. We take workplace safety seriously at our construction sites, our operating communities and our offices. Through our Construction Site Safety Observation program and our dedicated safety team, we monitor project-level safety performance metrics at our construction sites, and elements of compensation for our construction group and our CEO are based on safety compliance performance. Our maintenance associates are required to take monthly safety training on a variety of subjects, and our risk management group monitors incident reports from our offices and communities. The COVID-19 pandemic has presented unique health and safety challenges, and we have taken a number of actions in response to promote the well-being of our associates, including permitting remote work and flexible schedules where feasible, providing extended Company paid leave for associates who needed to miss work for COVID-19 related reasons, establishing office and community protocols for associate safety, conducting training and refresher courses on COVID-19 prevention and communicating regularly with associates on COVID-19 topics.

Training. We help our associates develop the skills they need to advance in their careers and succeed at AvalonBay. We train our associates in a variety of ways, including through our learning management system, AvalonBay University, which offers approximately 900 courses providing technical, management, ethics, compliance and cyber-awareness training.

Other Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may obtain copies of our SEC filings, free of charge, from the SEC's website at www.sec.gov.

We maintain a website at www.avalonbay.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to the Securities Exchange Act of 1934 are available free of charge in the "Investor Relations" section of our website as soon as reasonably practicable after the reports are filed with or furnished to the SEC. In addition, the charters of our Board's Nominating and Corporate Governance Committee, Audit Committee and Compensation Committee, as well as our Director Independence Standards, Corporate Governance Guidelines, Code of Business Conduct and Ethics, Policy Regarding Shareholder Rights Agreements, Policy Regarding Shareholder Approval of Future Severance Agreements, Senior Officer Stock Ownership Guidelines, Policy on Political Contributions and Government Relations, Policy on Recoupment, and Corporate Responsibility Reports, are available free of charge in that section of our website or by writing to AvalonBay Communities, Inc., 4040 Wilson Blvd., Suite 1000, Arlington, Virginia 22203, Attention: Chief Financial Officer. To the extent required by the rules of the SEC and the NYSE, we will disclose amendments and waivers relating to these documents in the same place on our website. The information posted on our website is not incorporated into this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

Our operations involve various risks that could have adverse consequences, including those described below. This Item 1A. includes forward-looking statements. You should refer to our discussion of the qualifications and limitations on forward-looking statements in this Form 10-K.

Risks related to the COVID-19 pandemic's impact on multifamily rental housing

The national and global impacts of the COVID-19 pandemic (including the impact of new strains of the original virus) continue to evolve. Regulatory measures have at times included varying requirements for social distancing, limitations on landlords' rights with respect to delinquent tenants, and restrictions on travel, congregation and business operations. Business and consumer preferences for work and living arrangements during the pandemic continue to evolve as well. The long-term impact of COVID-19 on the economy remains uncertain. The COVID-19 pandemic continues to present material uncertainty and risk with respect to our performance, financial condition, results of operations and cash flows. Moreover, many of the risk factors set forth in this Form 10-K should be interpreted as heightened risks as a result of the impact of the COVID-19 pandemic. In addition, if in the future there is an outbreak of another highly infectious or contagious disease, the Company and our properties may be subject to similar risks as the risks posed by COVID-19.

Regulatory, business and consumer responses to the COVID-19 pandemic impact our operations.

Operating impacts from the COVID-19 pandemic include the following:

- Numerous state, local, and federal entities imposed restrictions, for varying times and to varying degrees, on our ability to enforce residents' contractual lease obligations, and this will continue to affect our ability (until a restriction is lifted or expires) to enforce all our remedies (such as pursuing collections and seeking evictions) for the failure to pay rent.
- Consumers whose income has declined, who are working remotely or who cannot freely access neighborhood amenities like restaurants, gyms and entertainment venues, may decide to live in a location other than our markets. For as long as interest rates remain low and health concerns remain, consumers who would otherwise rent a multifamily apartment may opt instead to rent a single family home or purchase a home. Demand from students and demand for corporate apartment homes have been and may continue to be negatively impacted by trends in remote learning and work, and the adoption of new online technologies.
- Various state, local and federal rules required us, in some jurisdictions or for some properties, to waive late fees and certain other customary fees associated with our apartment rental business, and may do so in the future. We have elected at times also to waive these fees even where or when not required, and may do so in the future. These requirements or practices have resulted, and to the extent implemented or continued may in the future result, in foregone revenue.
- Our properties may also incur significant costs or losses related to shelter-in-place or stay-at-home orders, quarantines, infection, clean-up costs or other related factors.
- Social distancing and other measures have caused us from time to time to revise the manner in which we meet with prospective residents and serve current residents. For example, prospective residents visiting apartments may do so virtually or on a self-tour rather than being accompanied by a leasing consultant. In addition, in many communities, access to various common areas may be limited. These factors may affect resident satisfaction and leasing velocity.
- There are growing concerns related to the general economy about (i) supply chain constraints caused by business challenges resulting from the pandemic and (ii) inflation caused by both supply chain constraints and governmental fiscal and monetary policies. Supply chain constraints could cause delays in our construction and redevelopment activity, and inflation could cause our construction and operating costs to increase. In the event that our rents and rental revenue do not increase sufficiently to offset increases in construction and operating costs, our operating results would be negatively impacted.

In addition to renting apartment homes directly to residents, we also lease ancillary commercial space at our communities and lease apartment homes to corporate apartment home providers. In 2021, 1.4% of our total revenue was from commercial tenants and 2.1% of our total residential revenue was from corporate apartment home providers. To the extent that the pandemic or any associated government restrictions have adverse impacts on the businesses of our commercial tenants, or demand from corporate apartment home providers, we may experience elevated delinquencies for these tenants. There may also be a greater risk of bankruptcy and default from commercial and corporate apartment home providers.

Emergency orders shutting down non-essential businesses, limiting congregations of people, and requiring social distancing have at times disrupted, and may in the future disrupt, our development and construction activity. To the extent we experience delays in construction, our construction costs may increase and we may not achieve, on the schedule we originally planned, the cash flows that we expect when we begin leasing a completed property. We may also delay the start of construction of additional development communities which, if constructed and leased as originally planned, would have been a source of future additional cash flow.

The same factors as described immediately above may also impact our workforce. Many associates, particularly in overhead positions, are working remotely. This disruption in the normal operations of our workforce, as well as the possibility of illness among our associates or a substantial portion of our workforce, could also adversely affect our operations.

Risks related to investments through acquisitions, construction, development, and joint ventures

Development, redevelopment and construction risks could affect our profitability.

We intend to continue to develop and redevelop apartment home communities. These activities can include long planning and entitlement timelines and can involve complex and costly activities, including significant environmental remediation or construction work in high-density urban areas. These activities may expose us to the following risks, among others:

- we may abandon opportunities that we have already begun to explore for a number of reasons, including changes in local market conditions or increases in construction or financing costs, and, as a result, we may fail to recover expenses already incurred in exploring those opportunities;
- occupancy rates and rents at a community may fail to meet our original expectations for a number of reasons, including changes in market and economic conditions beyond our control and the development by competitors of competing communities;
- we may be unable to obtain, or experience delays in obtaining, necessary zoning, occupancy or other required governmental or third party permits and authorizations, which could result in increased costs, or the delay or abandonment of opportunities;
- we may incur costs that exceed our original estimates due to increased material, labor or other costs;
- we may be unable to complete construction of a community on schedule or for the originally projected cost resulting in increased construction and financing costs;
- we may incur liabilities to third parties during the development process, for example, in connection with managing existing improvements on the site prior to tenant terminations and demolition (such as commercial space) or in connection with providing services to third parties (such as the construction of shared infrastructure or other improvements); and
- we may incur liability if our communities are not constructed in compliance with the accessibility provisions of the Americans with Disabilities Acts, the Fair Housing Act or other federal, state or local requirements. Noncompliance could result in imposition of fines, an award of damages to private litigants and a requirement that we undertake structural modifications to remedy the noncompliance.

Refer to our “Risks related to liquidity and financing” section below for additional construction and development risks related to financing.

Attractive investment opportunities may not be available, which could adversely affect our profitability.

We expect that other real estate investors, including insurance companies, pension and investment funds, other REITs and other well-capitalized investors, will compete with us to acquire existing properties and to develop new properties. This competition could increase prices for properties of the type we would likely pursue and adversely affect our profitability for new investments.

Acquisitions may not yield anticipated results.

Our business strategy includes acquiring as well as developing communities. Our acquisition activities may be exposed to the following risks:

- an acquired property may fail to perform as we expected in analyzing our investment; and
- our estimate of the costs of operating, repositioning or redeveloping an acquired property may prove inaccurate.

Failure to succeed in new markets, or with new brands and community formats, or in activities other than the development, ownership and operation of residential rental communities may have adverse consequences.

We may from time to time commence development activity or make acquisitions outside of our existing market areas if appropriate opportunities arise. Our historical experience in our existing markets in developing, owning and operating rental communities does not ensure that we will be able to operate successfully in new markets. We may be exposed to a variety of risks when we enter a new market, including an inability to accurately evaluate local apartment market conditions and an inability to obtain land for development or to identify appropriate acquisition opportunities.

We also may engage or have an interest in for-sale activity, such as the sale of the residential condominiums at The Park Loggia, a mixed-use development located in New York, New York. We may be unsuccessful at developing real estate with the intent to sell or in selling condominiums at originally underwritten values, or at all, as a disposition strategy for an asset, which could have an adverse effect on our results of operations.

We are exposed to risks associated with investment in, and management of, discretionary real estate investment funds and joint ventures and technology and environmentally focused companies.

At times we invest directly and indirectly in real estate as a partner or a co-venturer with other investors or in technology and environmentally focused companies. Joint venture investments (including investments through partnerships or limited liability companies) involve risks, including the possibility that our partner might become insolvent or otherwise refuse to make capital contributions when due; that we may be responsible to our partner for indemnifiable losses or the debt and obligations of an investment; that our investments may lose all or some of their value; that our partner might have business goals that are inconsistent with ours which may result in the venture or investment being unable to implement certain decisions that we consider beneficial; that our partner may be in a position to take action or withhold consent contrary to our instructions or requests; that, in cases where we are the general partner or managing member, our partners holding a majority of the equity interests may remove us from such role in certain cases involving cause; and that we may be liable and/or our status as a REIT may be jeopardized if either the investments, or the REIT entities associated with the investments, fail to comply with various tax or other regulatory matters. Frequently, we and our partner may each have the right to trigger a buy-sell or similar arrangement that could cause us to sell our interest, acquire our partner's interest or force a sale of the asset, at a time when we otherwise would not have initiated such a transaction and on terms that are not most advantageous to us.

Our investments in technology companies, or in funds that invest in technology companies, are generally held through taxable REIT subsidiaries pursuant to which we will incur taxable gains upon the disposition of our interests. In addition, the value of these investments may be volatile and declines in value may impact our reported income even if we do not sell the investment.

We are exposed to risks associated with real estate assets that are subject to ground leases that may restrict our ability to finance, sell or otherwise transfer our interests in those assets, limit our use and expose us to loss if such agreements are breached by us or terminated.

We own assets that are subject to long-term ground leases. These ground leases may impose limitations on our use of the properties, restrict our ability to finance, sell or otherwise transfer our interests or restrict the leasing of the properties. These restrictions may limit our ability to timely sell or exchange the properties, impair the properties' value or negatively impact our ability to operate the properties. In addition, we could lose our interests in the properties if the ground leases are breached by us, terminated or lapse. As we get closer to the lease termination dates, the values of the properties could decrease if we are unable to agree upon an extension of the lease with the lessor. Certain of these ground leases have payments subject to annual escalations and/or periodic fair market value adjustments which could adversely affect our financial condition or results of operations.

Land we hold with no current intent to develop may be subject to future impairment charges.

We own land parcels that we do not currently intend to develop. As discussed in Item 2. "Properties—Other Land and Real Estate Assets," in the event that the fair market value less the cost to dispose of a parcel changes such that it is less than the carrying basis of the parcel, we would be subject to an impairment charge, which would reduce our net income.

Risks related to liquidity and financing

Capital and credit market conditions may adversely affect our access to various sources of capital and/or the cost of capital, which could impact our business activities, dividends, earnings and common stock price, among other things.

In periods when the capital and credit markets experience significant volatility, the amounts, sources and cost of capital available to us may be adversely affected. We primarily use external financing to fund construction and to refinance indebtedness as it matures. If sufficient sources of external financing are not available to us on cost effective terms, we could be forced to limit our development and redevelopment activity and/or take other actions to fund our business activities and

repayment of debt, such as selling assets, reducing our cash dividend or issuing equity. If we are able and/or choose to access capital at a higher cost than we have experienced in recent years, our earnings per share and cash flows could be adversely affected. In addition, the price of our common stock may fluctuate significantly and/or decline in a high interest rate environment or a volatile economic environment, or if we dilute the interest of stockholders by issuing additional equity. We believe that the lenders under our Credit Facility will fulfill their lending obligations thereunder, but if economic conditions deteriorate, the ability of those lenders to fulfill their obligations may be adversely impacted.

Insufficient cash flow could affect our debt financing and create refinancing risk.

We are subject to the risks associated with debt financing, including the risk that our available cash will be insufficient to meet required payments of principal and interest on our debt. For us to continue to qualify as a REIT, we are required to annually distribute dividends generally equal to at least 90% of our REIT taxable income, which limits the amount of our cash flow available to meet required principal and interest payments. The principal outstanding balance on a portion of our debt will not be fully amortized prior to its maturity. We cannot assure you that we will have sufficient cash flows available to make all required principal payments. Therefore, we expect that we will generally need to refinance at least a portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that a refinancing will not be done on as favorable terms; either of these outcomes could have a material adverse effect on our financial condition and results of operations.

Rising interest rates could increase interest costs and could affect the market price of our common stock, and efforts to hedge such risk could be ineffective and cause us to incur additional costs.

If interest rates increase, our interest costs on variable rate debt will rise unless we have hedged the risk of rising interest rates. In addition, an increase in market interest rates may lead purchasers of our common stock to demand a greater annual dividend yield, which could adversely affect the market price of our common stock.

From time to time we use interest rate derivatives to hedge and manage our exposure to certain interest rate risks. For example, when we anticipate issuing debt securities, we may seek to limit our exposure to fluctuations in interest rates prior to debt issuance by entering into interest rate hedging contracts. Although these agreements may partially protect against rising interest rates, they also may reduce the benefits to the Company if interest rates decline. The settlement or termination of interest rate hedging contracts may involve material charges to our earnings including net costs, such as transaction fees, settlement costs and/or breakage costs. In addition, our use of interest rate hedging arrangements may expose us to additional risks, including a risk that a counterparty to a hedging arrangement may fail to honor its obligations. Developing and implementing an interest rate risk strategy is complex and no strategy can completely insulate us from risks associated with interest rate fluctuations and there can be no assurance that our hedging activities will be effective.

Bond financing and zoning and other compliance requirements could limit our income, restrict the use of communities and cause favorable financing to become unavailable.

We have financed some of our apartment communities with obligations issued by local government agencies because the interest paid to the holders of this debt is generally exempt from federal income taxes, which typically provides a more favorable interest rate for us. These obligations are commonly referred to as “tax-exempt bonds” and generally must be secured by mortgages on our communities. As a condition to obtaining tax-exempt financing, or as a condition to obtaining favorable zoning or an agreement relating to property taxes in some jurisdictions, we will commit to make some of the apartments in a community available to households whose income does not exceed certain thresholds (e.g., 50% or 80% of area median income), or who meet other qualifying tests. As of December 31, 2021, 4.9% of our apartment homes at current operating communities were under income limitations such as these. These commitments, which may or may not expire, may limit our ability to raise rents and, as a consequence, adversely affect the value of the communities subject to these restrictions. If we fail to observe these commitments, we could lose benefits (such as reduced property taxes) or face liabilities including liability for the benefits we received under tax exempt bonds, tax credits or agreements related to property taxes.

Some of our tax-exempt bond financing documents require us to obtain a guarantee from a financial institution of payment of the principal and interest on the bonds. The guarantee may take the form of a letter of credit, surety bond, guarantee agreement or other additional collateral. If the financial institution defaults in its guarantee obligations, or if we are unable to renew the applicable guarantee or otherwise post satisfactory collateral, a default will occur and the community could be foreclosed upon if we do not redeem the tax exempt bonds.

Risks related to indebtedness.

We have a Credit Facility with a syndicate of commercial banks. Our organizational documents do not limit the amount or percentage of indebtedness that may be incurred. Accordingly, subject to compliance with outstanding debt covenants, we

could incur more debt, resulting in an increased risk of default on our obligations and an increase in debt service requirements that could adversely affect our financial condition and results of operations.

The mortgages on properties that are subject to secured debt, our Credit Facility and the indentures under which a substantial portion of our debt was issued contain customary restrictions, requirements and other limitations, as well as certain financial and operating covenants including maintenance of certain financial ratios. Maintaining compliance with these restrictions could limit our flexibility. A default in these requirements, if uncured, could result in a requirement that we repay indebtedness, which could materially adversely affect our liquidity and increase our financing costs. Refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion.

A substantial portion of our debt is subject to prepayment penalties or premiums that we will be obligated to pay in the event that we elect to prepay the debt prior to the earlier of (i) its stated maturity or (ii) another stated date. If we elect to prepay a significant amount of outstanding debt, our prepayment penalties or payments under these provisions could materially adversely affect our results of operations.

The phase-out of LIBOR and transition to SOFR as a benchmark interest rate will have uncertain and possibly adverse effects.

In 2018, the Alternative Reference Rate Committee (the "AARC") recommended the Secured Overnight Financing Rate ("SOFR") as the alternative to LIBOR. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities, published by the Federal Reserve Bank of New York. While we expect LIBOR to be available in substantially its current form until at least the end of June 30, 2023, it is possible that LIBOR will become unavailable prior to that point. Due to the broad use of LIBOR as a reference rate, the impact of this transition on the interest rates charged to the Company could possibly adversely affect our financing costs, including spread pricing on our Credit Facility and variable rate unsecured term loans (the "Term Loans") and certain other floating rate debt obligations, as well as our operations and cash flows. Additionally, although SOFR is the AARC's recommended replacement rate, it is also possible that lenders may instead choose alternative replacement rates that may differ from LIBOR in ways similar to SOFR or in ways that would result in higher interest costs for us. It is not yet possible to predict the magnitude of LIBOR's end on our borrowing costs given the remaining uncertainty about which rate(s) will replace LIBOR.

Failure to maintain our current credit ratings could adversely affect our cost of funds, related margins, liquidity and access to capital markets.

There are two major debt rating agencies that routinely evaluate and rate our debt. Their ratings are based on a number of factors, which include their assessment of our financial strength, liquidity, capital structure, asset quality, amount of real estate under development, and sustainability of cash flow and earnings, among other factors. If market conditions change, we may not be able to maintain our current credit ratings, which could adversely affect our cost of funds and related margins, liquidity and access to capital markets.

The form, timing and/or amount of dividend distributions in future periods may vary and be impacted by our revenue generation, other liquidity needs and economic and other considerations.

The form, timing and/or amount of dividend distributions will be declared at the discretion of the Board of Directors and will depend on our rental revenue, actual cash from operations, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and other factors as the Board of Directors may consider relevant. The Board of Directors may modify our dividend policy from time to time.

We may experience barriers to selling apartment communities that could limit financial flexibility.

Potential difficulties in promptly selling real estate at prices we find acceptable may limit our ability to quickly change or reduce the apartment communities in our portfolio in response to changes in economic, regulatory, or other conditions. Federal tax laws may also limit our ability to sell properties when desired. See "Risks related to our REIT or tax status" section for more information on federal tax law risks.

Risks related to ongoing operations of our communities

Rent control and other changes in applicable laws, or noncompliance with applicable laws, could adversely affect our operations or expose us to liability.

We must develop, construct and operate our communities in compliance with federal, state and local laws and regulations, some of which may conflict with one another or be subject to limited judicial or regulatory interpretations. These laws and regulations

may include zoning laws, building codes, landlord/tenant laws and other laws generally applicable to business operations. Noncompliance with laws could expose us to liability. Lower revenue growth or significant unanticipated expenditures may result from our need to comply with changes in (i) laws imposing remediation requirements or other conditions, (ii) rent control or rent stabilization laws or other residential landlord/tenant laws, or (iii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of our communities, including changes to building codes and fire and life-safety codes.

We have seen a recent increase in states and municipalities implementing, considering or being urged by advocacy groups to consider rent control or rent stabilization laws and regulations or take other actions that could limit the amount by which we can raise rents or charge non-rent fees. For example, in 2019 the State of California adopted statewide rent control for communities older than fifteen years, limiting rent increases to the lesser of 10% or 5% plus local CPI. Also in 2019 the State of New York adopted new rules for rent-controlled and rent-stabilized units that revised and limited the way rent increases are calculated for renewal leases, basing increases solely on rent actually paid and eliminating the ability to increase the renewal rent to a higher “registered rent.” Furthermore, in California the Governor has the ability to enact local or statewide states of emergency which limit our ability to increase new and renewal rents more than 10% over the rent in place on the date such state of emergency was declared, which has impacted some of our California communities. Current and future enactments of rent control or rent stabilization laws or other laws regulating multi-family housing may limit our ability to charge market rents, increase rents, evict tenants or recover increases in our operating expenses and could make it more difficult for us to dispose of properties in certain circumstances. Expenses associated with our investment in these communities, such as debt service, real estate taxes, insurance and maintenance costs, are generally not reduced when circumstances cause a reduction in rental income from the community.

Short-term leases expose us to the effects of declining market rents.

Substantially all of our apartment leases are for a term of one year or less. Because these leases generally permit the residents to leave at the end of the lease term without penalty, our rental revenues are impacted by declines in market rents more quickly than if our leases were for longer terms.

Competition could limit our ability to lease apartment homes or increase or maintain rents.

Our apartment communities compete with other apartment operators as well as rental housing alternatives, such as single-family homes for rent and short term furnished offerings such as those available from extended stay hotels or through on-line listing services. In addition, our residents and prospective residents also consider, as an alternative to renting, the purchase of a new or existing condominium or single-family home. Competitive residential housing could adversely affect our ability to lease apartment homes and to increase or maintain rental rates.

Unfavorable changes in market and economic conditions could adversely affect occupancy, rental rates, operating expenses, and the overall market value of our real estate assets.

Local conditions in our markets significantly affect occupancy, rental rates and the operating performance of our communities, and may be adversely affected by the following risks:

- corporate restructurings and/or layoffs, and industry slowdowns;
- an oversupply of, or a reduced demand for, apartment homes;
- a decline in household formation or employment or lack of employment growth;
- the inability or unwillingness of residents to pay rent increases; and
- economic conditions that could cause an increase in our operating expenses, such as increases in property taxes, utilities, compensation of on-site associates and routine maintenance.

Risks related to commercial operations

Although we are primarily in the multifamily rental business, we also own and lease ancillary commercial space. Gross rental revenue provided by leased commercial space in our portfolio represented 1.4% of our total revenue in 2021. The long term nature of our commercial leases and characteristics of many of our tenants (small, local businesses) may subject us to certain risks. We may not be able to lease new space for rents that are consistent with our projections or at market rates. Also, when leases for our existing commercial space expire, the space may not be relet or the terms of reletting, including the cost of allowances and concessions to tenants, may be less favorable than the current lease terms. Our properties compete with other properties with commercial space. The presence of competitive alternatives may affect our ability to lease space and the level of rents we can obtain. If our commercial tenants experience financial distress or bankruptcy, they may fail to comply with their contractual obligations, seek concessions in order to continue operations or cease their operations, which could adversely impact our results of operations and financial condition.

Risks related to our REIT or tax status

Failure to qualify as a REIT would cause us to be taxed as a corporation, which would significantly reduce funds available for distribution to stockholders.

If we fail to qualify as a REIT for federal income tax purposes, we will be subject to regular federal corporate income tax on our taxable income. In addition, unless we are entitled to relief under applicable statutory provisions, we would be ineligible to make an election for treatment as a REIT for the four taxable years following the year we lose our qualification. The additional tax liability resulting from the failure to qualify as a REIT would significantly reduce or eliminate the amount of funds available for distribution to our stockholders. Furthermore, we would no longer be required to make distributions to our stockholders. Thus, our failure to qualify as a REIT could also impair our ability to expand our business and raise capital and would adversely affect the value of our common stock.

We believe that we are organized and qualified as a REIT, and we intend to operate in a manner that will allow us to continue to qualify as a REIT. However, we cannot assure you that we are qualified as a REIT, or that we will remain qualified in the future. This is because qualification as a REIT involves the application of highly technical and complex provisions of the Code for which there are only limited judicial and administrative interpretations and involves the determination of a variety of factual matters and circumstances not entirely within our control. Our qualification as a REIT depends on our satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis. In addition, future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT for federal income tax purposes or the federal income tax consequences of this qualification.

Even if we qualify as a REIT, we will be subject to certain federal, state and local taxes on our income and property and on taxable income that we do not distribute to our stockholders. In addition, we hold certain assets and engage in certain activities through our taxable REIT subsidiaries that a REIT could not engage in directly. We also use taxable REIT subsidiaries to hold certain assets that we believe would be subject to the 100% prohibited transaction tax if sold at a gain outside of a taxable REIT subsidiary or to engage in activities that generate non-qualifying REIT income. Our taxable REIT subsidiaries are subject to federal income tax as regular corporations.

We may choose to pay dividends in our own stock, in which case stockholders may be required to pay tax in excess of the cash they receive.

We may distribute taxable dividends that are payable in part in our stock. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of the cash dividend received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, the trading price of our stock would experience downward pressure if a significant number of our stockholders sell shares of our stock in order to pay taxes owed on dividends.

We may experience regulatory and federal tax barriers to selling apartment communities that could limit financial flexibility.

Federal tax laws may limit our ability to earn a gain on the sale of a community (unless we own it through a subsidiary which will incur a taxable gain upon sale) if we are found to have held, acquired or developed the community primarily with the intent to resell the community, and this limitation may affect our ability to sell communities without adversely affecting returns to our stockholders.

From time to time we dispose of properties in transactions intended to qualify as “like-kind exchanges” under Section 1031 of the Code. If a transaction intended to qualify as a Section 1031 exchange is later determined to be taxable, we may face adverse tax consequences, and if the laws applicable to such transactions are amended or repealed, we may not be able to dispose of properties on a tax deferred basis.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common stock or debt securities.

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict when or if any new federal income tax law, regulation, or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. We and our stockholders and holders of our debt securities could be adversely affected by any such change in, or any new, federal income tax law, regulation or administrative interpretation.

Risks that may not be insured in full or in part

We are exposed to risks that are either uninsurable, not economically insurable or in excess of our insurance coverage, including risks discussed below.

Insurance coverage for various risks can be costly and in limited supply. As a result, we may experience shortages in desired coverage levels if market conditions are such that insurance is not available or the cost of insurance makes it, in the Company's view, economically impractical. Incidents that directly or indirectly damage our communities, both physically and financially, or cause losses that exceed our insurance coverage could have a material adverse effect on our business, financial condition and results of operations including increased maintenance, repair, and delays in construction. In addition, we would also continue to be obligated to repay any mortgage indebtedness or other obligations related to the community which could have a material adverse effect on our business and our financial condition and results of operations. The following risks are uninsurable or insurance coverage is limited due to premium rates (See Item 2. "Properties—Insurance and Risk of Uninsured Losses"):

- ***Earthquake risk.*** As further described in Item 2. "Properties—Insurance and Risk of Uninsured Losses," many of our West Coast communities are located in the general vicinity of active earthquake faults. Insurance coverage for earthquakes can be costly and in limited supply.
- ***Climate and severe or inclement weather risk.*** Many of our markets, particularly those located in coastal cities, are exposed to risks associated with inclement or severe weather including those arising from climate change such as hurricanes, severe winter storms and coastal flooding.
- ***Terrorism and other risk.*** We have significant investments in large metropolitan markets, such as Metro New York/New Jersey and Washington, D.C., which have in the past been or may in the future be the target of actual or threatened terrorist attacks. We carry commercial general liability insurance, property insurance and terrorism insurance with respect to our communities on terms and in amounts we consider commercially reasonable. There are, however, certain types of losses (such as losses arising from acts of war) that are not insured, in full or in part, because they are either uninsurable or the cost of insurance makes it, in the Company's view, economically impractical.

We may incur costs related to climate change.

To the extent that significant changes in the climate occur in areas where our communities are located, we may experience extreme weather and changes in precipitation and temperature, all of which may result in physical damage to or a decrease in demand for properties located in these areas or affected by these conditions. In addition, changes in federal, state and local regulations based on concerns about climate change could result in increased capital expenditures or operating expenses on our existing properties (for example, requiring retrofitting of existing systems) and our new development properties (for example, to improve energy efficiency, reduce greenhouse gas emissions and/or improve resistance to inclement weather) without a corresponding increase in revenue, resulting in adverse impacts to our net income.

We may incur costs due to environmental contamination or non-compliance.

Under various public health laws and regulations, we may be required, regardless of knowledge or responsibility, to investigate and remediate the presence or effects of hazardous or toxic substances such as asbestos, lead paint, chemical vapors from soils or groundwater, petroleum product releases, and natural substances such as methane and radon gas. We may be held liable under these laws or common law to a governmental entity or to third parties for property, personal injury or natural resources damages and for investigation and remediation costs incurred as a result of the contamination. These damages and costs may be substantial and may exceed any insurance coverage we have for such events. The presence of these substances, or the failure to properly remediate or contain the contamination, may adversely affect our ability to borrow against, develop, sell or rent the affected property. In addition, some environmental laws create or allow a government agency to impose a lien on the contaminated site in favor of the government for damages and costs it incurs as a result of the contamination.

The development, construction and operation of our communities are subject to regulations and permitting under various federal, state and local laws, regulations and ordinances, which regulate matters including wetlands protection, storm water runoff and wastewater discharge. These laws and regulations may impose restrictions on the manner in which our communities

may be developed, and noncompliance with these laws and regulations may subject us to fines and penalties and may subject us to liability in connection with personal injury.

Certain laws and regulations govern the removal, encapsulation or disturbance of asbestos containing materials (“ACMs”) when such materials are in poor condition or in the event of renovation or demolition of a building. These laws and the common law may impose liability for release of ACMs and may allow third parties to seek recovery from owners or operators of real properties for personal injury associated with exposure to ACMs. We are not aware that any ACMs were used in the construction of the communities we developed. ACMs were, however, used in the construction of a number of the communities that we have acquired. Although we implement an operations and maintenance program at each of the communities at which ACMs are detected, we may fail to adequately observe such program or a disturbance of ACMs may occur nevertheless, exposing us to liability. We are aware that some of our communities have lead paint and have implemented an operations and maintenance program at each of those communities.

All of our stabilized operating communities, and all of the communities that we are currently developing, have been subjected to at least a Phase I or similar environmental assessment, which generally does not involve invasive techniques such as soil or groundwater sampling. These assessments, together with subsurface assessments conducted on some properties, have not revealed, and we are not otherwise aware of, any environmental conditions that we believe would have a material adverse effect on our business, assets, financial condition or results of operations. In connection with our ownership, operation and development of communities, from time to time we undertake substantial remedial action in response to the presence of subsurface or other contaminants, including contaminants in soil, groundwater and soil vapor beneath or affecting our buildings. In some cases, an indemnity exists upon which we may be able to rely if environmental liability arises from the contamination or remediation costs exceed estimates. There can be no assurance, however, that all necessary remediation actions have been or will be undertaken at our properties or that we will be indemnified, in full or at all, in the event that environmental liability arises.

Mold growth may occur when excessive moisture accumulates in buildings or on building materials, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Certain molds may in some instances lead to adverse health effects, including allergic or other reactions. We cannot provide assurance that mold or excessive moisture will be detected and remediated in a timely manner. If a significant mold problem arises at one of our communities, we could be required to undertake a costly remediation program to contain or remove the mold from the affected community and could be exposed to other liabilities that may exceed any applicable insurance coverage.

Additionally, we have occasionally been involved in developing, managing, leasing and operating various properties for third parties. Consequently, we may be considered to have been an operator of such properties and, therefore, potentially liable for removal or remediation costs or other potential costs which relate to the release or presence of hazardous or toxic substances or petroleum products at such properties.

We cannot assure you that:

- the environmental assessments described above have identified all potential environmental liabilities;
- no prior owner created any material environmental condition not known to us or the consultants who prepared the assessments;
- no environmental liabilities have developed since the environmental assessments were prepared;
- the condition of land or operations in the vicinity of our communities, such as the presence of underground storage tanks, will not affect the environmental condition of our communities;
- future uses or conditions, including, without limitation, changes in applicable environmental laws and regulations, will not result in the imposition of environmental liability; and
- no environmental liabilities will arise at communities that we have sold for which we may have liability.

General Risk Factors

The ability of our stockholders to control our policies and effect a change of control of our company is limited by certain provisions of our charter and bylaws and by Maryland law.

There are provisions in our charter and bylaws that may discourage a third party from making a proposal to acquire us. These provisions include the following:

Our charter authorizes our Board of Directors to issue up to 50,000,000 shares of preferred stock without stockholder approval and to establish the preferences and rights, including voting rights, of any series of preferred stock issued. This could allow the Board to issue one or more classes or series of preferred stock that could discourage or delay a tender offer or a change in control.

To maintain our qualification as a REIT for federal income tax purposes, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by or for five or fewer individuals at any time during the last half of any taxable year. To maintain this qualification, and/or to address other concerns about concentrations of ownership of our stock, our charter generally prohibits ownership (directly, indirectly by virtue of the attribution provisions of the Code, or beneficially as defined in Section 13 of the Securities Exchange Act) by any single stockholder of more than 9.8% of the issued and outstanding shares of any class or series of our stock. In general, under our charter, pension plans and mutual funds may directly and beneficially own up to 15% of the outstanding shares of any class or series of stock. Under our charter, our Board of Directors may in its sole discretion waive or modify the ownership limit for one or more persons, but it is not required to do so even if such waiver would not affect our qualification as a REIT. These ownership limits may prevent or delay a change in control and, as a result, could adversely affect our stockholders' ability to realize a premium for their shares of common stock.

As a Maryland corporation, we are subject to the provisions of the Maryland General Corporation Law. Maryland law restricts some business combinations and requires compliance with statutory procedures before some mergers and acquisitions may occur, which may delay or prevent offers to acquire us or increase the difficulty of completing any offers, even if they are in our stockholders' best interests. In addition, other provisions of the Maryland General Corporation Law permit the Board of Directors to make elections and to take actions without stockholder approval (such as classifying our Board such that the entire Board is not up for re-election annually) that, if made or taken, could have the effect of discouraging or delaying a change in control.

Changes in U.S. accounting standards may materially and adversely affect the reporting of our operations.

The Company follows accounting principles generally accepted in the United States ("GAAP"). GAAP is established by the Financial Accounting Standards Board ("FASB"), an independent body whose standards are recognized by the SEC as authoritative for publicly held companies. The FASB and the SEC create and interpret accounting standards and may issue new accounting pronouncements or change the interpretation and application of these standards that govern the preparation of our financial statements. These changes could have a material impact on our reported consolidated results of operations and financial position.

We rely on information technology in our operations, and any breach, interruption or security failure of that technology, or any non-compliance with applicable laws with respect to the use of that technology, could have a negative impact on our business, results of operations, financial condition and/or reputation.

Information security risks have generally increased in recent years due to the rise in new technologies and the increased sophistication and activities of perpetrators of cyber attacks.

We collect and hold personally identifiable information of our residents and prospective residents in connection with our leasing and property management activities, and we collect and hold personally identifiable information of our associates in connection with their employment. In addition, we engage third party service providers that may have access to such personally identifiable information in connection with providing necessary information technology and security and other business services to us.

There can be no assurance that we will be able to prevent unauthorized access to this information. Any failure in or breach of our operational or information security systems, or those of our third party service providers, as a result of cyber attacks or information security breaches, could result in a wide range of potentially serious harm to our business operations and financial prospects, including (among others) disruption of our business and operations, disclosure or misuse of confidential or proprietary information (including personal information of our residents and/or associates), damage to our reputation, and/or potentially significant legal and/or financial liabilities and penalties.

Various laws and regulations and interpretations thereof, as well as agreements with payment processors, require, or may require, us to comply with rules related to our websites for use by residents and prospective residents, including requirements related to accessibility of our websites to persons with disabilities and our handling and use of data we collect. We could face liabilities for failure to comply with these requirements. New statutes, such as the California Consumer Privacy Act ("CCPA"), and related regulations are evolving and may be subject to differing interpretations. We could incur costs to comply with stricter and more complex data privacy, data collection and information security laws and standards.

Our success depends on key personnel whose continued service is not guaranteed.

Our success depends in part on our ability to attract and retain the services of executive officers and other personnel. Our executive officers make important capital allocation decisions or recommendations to our Board of Directors from among the

opportunities identified by our regional offices. There is substantial competition for qualified personnel in the real estate industry, and the loss of our key personnel could adversely affect the Company.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our real estate investments consist primarily of current operating apartment communities ("Current Communities"), consolidated and unconsolidated communities in various stages of development ("Development" communities and "Unconsolidated Development" communities) and Development Rights (as defined below). Our Current Communities are further classified as Same Store communities, Other Stabilized communities, Lease-Up communities, Redevelopment communities and Unconsolidated communities. While we generally establish the classification of communities on an annual basis, we update the classification of communities during the calendar year to the extent that our plans with regard to the disposition or redevelopment of a community change. The following is a description of each category:

Current Communities are categorized as Same Store, Other Stabilized, Lease-Up, Redevelopment, or Unconsolidated according to the following attributes:

- *Same Store* for the year ended December 31, 2021 is composed of consolidated communities where a comparison of operating results from the prior year to the current year is meaningful as these communities were owned and had stabilized occupancy as of the beginning of the respective prior year period. For the year ended December 31, 2021, Same Store communities are consolidated for financial reporting purposes, had stabilized occupancy as of January 1, 2020, are not conducting or are not probable to conduct substantial redevelopment activities and are not held for sale or probable for disposition to unrelated third parties within the current year. A community is considered to have stabilized occupancy at the earlier of (i) attainment of 90% physical occupancy or (ii) the one-year anniversary of completion of development or redevelopment.
- *Other Stabilized* is composed of completed consolidated communities that we own and that are not Same Store but which have stabilized occupancy, as defined above, as of January 1, 2021, or which were acquired subsequent to January 1, 2020. Other Stabilized includes stabilized operating communities in Charlotte, North Carolina and Dallas, Texas, the two new expansion markets we entered in 2021, but excludes communities that are conducting or are probable to conduct substantial redevelopment activities within the current year, as defined below.
- *Lease-Up* is composed of consolidated communities where construction has been complete for less than one year and that do not have stabilized occupancy.
- *Redevelopment* is composed of consolidated communities where substantial redevelopment is in progress or is probable to begin during the current year. Redevelopment is considered substantial when (i) capital invested during the reconstruction effort is expected to exceed the lesser of \$5,000,000 or 10% of the community's pre-redevelopment basis and (ii) physical occupancy is below or is expected to be below 90% during, or as a result of, the redevelopment activity.
- *Unconsolidated* is composed of communities that we have an indirect ownership interest in through our investment interest in an unconsolidated joint venture.

Development is composed of consolidated communities that are either currently under construction, or were under construction and were completed during the current year. These communities may be partially or fully complete and operating.

Unconsolidated Development is composed of communities that are either currently under construction, or were under construction and were completed during the current year, in which we have an indirect ownership interest through our investment interest in an unconsolidated joint venture. These communities may be partially or fully complete and operating.

Development Rights are development opportunities in the early phase of the development process where we either have an option to acquire land or enter into a leasehold interest, where we are the buyer under a long-term conditional contract to purchase land, where we control the land through a ground lease or own land to develop a new community, or where we are the designated developer in a public-private partnership. We capitalize related pre-development costs incurred in pursuit of new developments for which we currently believe future development is probable.

We currently lease our corporate headquarters located in Arlington, Virginia, as well as our other regional and administrative offices, under operating leases.

As of December 31, 2021, communities that we owned or held a direct or indirect interest in were classified as follows:

	<u>Number of communities</u>	<u>Number of apartment homes</u>
Current Communities		
Same Store:		
New England	37	9,536
Metro NY/NJ	41	11,828
Mid-Atlantic	39	13,645
Southeast Florida	4	1,214
Denver, CO	4	1,086
Pacific Northwest	16	4,217
Northern California	39	11,831
Southern California	57	16,763
Total Same Store	<u>237</u>	<u>70,120</u>
Other Stabilized:		
New England	2	478
Metro NY/NJ	4	1,290
Mid-Atlantic	1	384
North Carolina	3	500
Southeast Florida	2	623
Texas	1	425
Denver, CO	—	—
Pacific Northwest	3	964
Northern California	1	289
Southern California	—	—
Total Other Stabilized	<u>17</u>	<u>4,953</u>
Lease-Up	13	3,796
Redevelopment	1	344
Unconsolidated	<u>10</u>	<u>2,590</u>
Total Current	<u>278</u>	<u>81,803</u>
Development	<u>17</u>	<u>5,386</u>
Unconsolidated Development	<u>2</u>	<u>803</u>
Total Communities	<u>297</u>	<u>87,992</u>
Development Rights	<u>24</u>	<u>8,070</u>

Our holdings under each of the above categories are discussed on the following pages.

We generally establish the composition of our Same Store communities portfolio annually. Changes in the Same Store communities portfolios for the years ended December 31, 2021, 2020 and 2019 were as follows:

	Number of communities
Same Store communities as of December 31, 2018	194
Communities added	22
Communities removed (1)	
Redevelopment communities	(2)
Disposed communities	(3)
Other Stabilized (2)	(1)
Same Store communities as of December 31, 2019	210
Communities added	32
Communities removed (1)	
Redevelopment communities	(1)
Disposed communities	(9)
Same Store communities as of December 31, 2020	232
Communities added	15
Communities removed (1)	
Redevelopment communities	—
Disposed communities	(9)
Other Stabilized (2)	(1)
Same Store communities as of December 31, 2021	237

- (1) We remove a community from our Same Store portfolio if we believe that planned activity for the upcoming year will result in that community's expected operations not being comparable to the prior year, including (i) when we intend to undertake a significant capital renovation, such that the community will be classified as a Redevelopment community; (ii) when we intend to dispose of a community; or (iii) when a significant casualty loss occurs.
- (2) Community was moved from the Same Store portfolio to the Other Stabilized portfolio as a result of a casualty loss that occurred during the year and impacted operations.

Current Communities

Our Current Communities include garden-style apartment communities consisting of multi-story buildings of stacked flats and/or townhome apartments in landscaped settings, as well as mid and high rise apartment communities consisting of larger elevator-served buildings of four or more stories, frequently with structured parking. As of January 31, 2022, our Current Communities consisted of the following:

	Number of communities	Number of apartment homes
Garden-style	131	40,058
Mid-rise	119	33,303
High-rise	28	8,442
Total Current Communities	278	81,803

As discussed in Item 1. "Business," we operate under four core brands: *Avalon*, *AVA*, *eaves by Avalon* and *Kanso*. We believe that this branding differentiation allows us to target our product offerings to multiple customer groups and submarkets within our existing geographic footprint.

We also have an extensive and ongoing maintenance program to continually maintain and enhance our communities and apartment homes. The aesthetic appeal of our communities, and a service-oriented property management team that is focused on the specific needs of residents, enhances market appeal. We believe our mission of *Creating a Better Way To Live* helps us achieve higher rental rates and occupancy levels while minimizing resident turnover and operating expenses.

Our Current Communities are located in the following geographic markets:

	Number of communities at		Number of apartment homes at		Percentage of total apartment homes at	
	1/31/2021	1/31/2022	1/31/2021	1/31/2022	1/31/2021	1/31/2022
New England	45	43	11,487	10,552	14.4 %	12.9 %
Boston, MA	40	39	10,541	9,917	13.2 %	12.1 %
Fairfield, CT	5	4	946	635	1.2 %	0.8 %
Metro NY/NJ	54	52	15,528	15,261	19.4 %	18.6 %
New York City, NY	14	14	5,089	5,089	6.4 %	6.2 %
New York Suburban	18	16	4,464	4,577	5.6 %	5.6 %
New Jersey	22	22	5,975	5,595	7.4 %	6.8 %
Mid-Atlantic	43	46	14,902	15,924	18.7 %	19.5 %
Washington Metro	38	40	13,340	13,962	16.7 %	17.1 %
Baltimore, MD	5	6	1,562	1,962	2.0 %	2.4 %
North Carolina	—	3	—	500	— %	0.6 %
Charlotte, NC	—	3	—	500	— %	0.6 %
Florida	5	7	1,564	2,187	2.0 %	2.7 %
Southeast Florida	5	7	1,564	2,187	2.0 %	2.7 %
Texas	—	1	—	425	— %	0.5 %
Dallas, TX	—	1	—	425	— %	0.5 %
Colorado	4	4	1,086	1,086	1.4 %	1.3 %
Denver, CO	4	4	1,086	1,086	1.4 %	1.3 %
Pacific Northwest	20	20	5,451	5,474	6.8 %	6.7 %
Seattle, WA	20	20	5,451	5,474	6.8 %	6.7 %
Northern California	42	42	12,629	12,633	15.8 %	15.5 %
San Jose, CA	12	12	4,713	4,717	5.9 %	5.8 %
Oakland-East Bay, CA	15	15	4,336	4,336	5.4 %	5.3 %
San Francisco, CA	15	15	3,580	3,580	4.5 %	4.4 %
Southern California	59	60	17,209	17,761	21.5 %	21.7 %
Los Angeles, CA	39	41	11,773	12,624	14.7 %	15.4 %
Orange County, CA	12	12	3,370	3,370	4.2 %	4.1 %
San Diego, CA	8	7	2,066	1,767	2.6 %	2.2 %
	<u>272</u>	<u>278</u>	<u>79,856</u>	<u>81,803</u>	<u>100.0 %</u>	<u>100.0 %</u>

We manage and operate substantially all of our Current Communities. During the year ended December 31, 2021, we completed construction of nine communities containing 2,752 apartment homes and sold 11 operating communities containing 2,933 apartment homes. The age of our Current Communities, on a weighted average basis according to number of apartment homes, is 19.7 years. When adjusted to reflect redevelopment activity, as if redevelopment were a new construction completion date, the weighted average age of our Current Communities is 10.6 years.

Of the Current Communities, as of January 31, 2022, we owned (directly or through wholly-owned subsidiaries):

- 266 operating communities, including 259 with a full fee simple, or absolute, ownership interest and seven that are on land subject to a land lease. The land leases have various expiration dates from July 2046 to April 2106, and three of the land leases are used to support tax advantaged structures that ultimately allow us to purchase the land upon lease expiration.

- A general partnership interest in Archstone Multifamily Partners AC LP (the “U.S. Fund”), subsidiaries of which own three operating communities.
- A membership interest in four limited liability companies. One of the ventures, the NYTA MF Investors LLC, through subsidiaries owns a fee simple interest in three operating communities and a leasehold interest in two additional operating communities. The other three ventures that each hold a fee simple interest in an operating community, one of which is consolidated for financial reporting purposes.
- A general partnership interest in one partnership structured as a “DownREIT,” which is consolidated and owns one community. In this partnership, one of our wholly-owned subsidiaries is the general partner. Limited partners are entitled to receive an initial distribution before any distribution is made to the general partner. The distributions per unit paid to the holders of units of limited partnership interests are equal to our current common stock dividend amount. The limited partnership interests have the right to present all or some of their units for redemption for a cash amount based on the fair value of our common stock. In lieu of a cash redemption by the partnership, we may elect to acquire any unit presented for redemption for one share of our common stock. At January 31, 2022, there were 7,500 DownREIT partnership units outstanding.

In addition to our Current Communities, we also hold, directly or through wholly-owned subsidiaries, a full fee simple ownership interest in our wholly-owned Development Communities, a membership interest in two limited liability companies that each hold an interest in an Unconsolidated Development Community, and a wholly-owned mixed-use project with for-sale condominiums.

Development Communities

As of December 31, 2021, we owned or held a direct interest in 17 Development Communities under construction. We expect these Development Communities, when completed, to add a total of 5,386 apartment homes and 40,000 square feet of commercial space to our portfolio for a total capitalized cost, including land acquisition costs, of approximately \$2,140,000,000. We cannot assure you that we will meet our schedule for construction completion or that we will meet our budgeted costs, either individually, or in the aggregate. You should carefully review Item 1A. “Risk Factors” for a discussion of the risks associated with development activity and our discussion under Item 7. “Management's Discussion and Analysis of Financial Condition and Results of Operations” (including the factors identified under “Forward-Looking Statements”) for further discussion of development activity.

The following table presents a summary of the Development Communities.

		Number of apartment homes	Projected total capitalized cost (1) (\$ millions)	Construction start	Initial projected or actual occupancy (2)	Estimated completion	Estimated stabilized operations (3)
1.	Avalon Harrison (4) <i>Harrison, NY</i>	143	\$ 88	Q4 2018	Q3 2021	Q3 2022	Q1 2023
2.	Avalon Brea Place <i>Brea, CA</i>	653	290	Q2 2019	Q1 2021	Q3 2022	Q1 2023
3.	Avalon Foundry Row <i>Owings Mill, MD</i>	437	100	Q2 2019	Q1 2021	Q1 2022	Q3 2022
4.	Avalon Woburn <i>Woburn, MA</i>	350	121	Q4 2019	Q3 2021	Q1 2022	Q3 2022
5.	AVA RiNo <i>Denver, CO</i>	246	87	Q4 2019	Q4 2021	Q1 2022	Q3 2022
6.	Avalon Harbor Isle <i>Island Park, NY</i>	172	91	Q4 2020	Q1 2022	Q3 2022	Q1 2023
7.	Avalon Somerville Station <i>Somerville, NJ</i>	375	117	Q4 2020	Q2 2022	Q3 2023	Q1 2024
8.	Avalon North Andover <i>North Andover, MA</i>	170	56	Q2 2021	Q4 2022	Q1 2023	Q3 2023
9.	Avalon Brighton <i>Boston, MA</i>	180	89	Q2 2021	Q1 2023	Q2 2023	Q4 2023
10.	Avalon Merrick Park <i>Miami, FL</i>	254	101	Q2 2021	Q1 2023	Q2 2023	Q4 2023
11.	Avalon Amityville I <i>Amityville, NY</i>	338	129	Q2 2021	Q1 2023	Q1 2024	Q3 2024
12.	Avalon Bothell Commons I <i>Bothell, WA</i>	472	203	Q2 2021	Q2 2023	Q1 2024	Q3 2024
13.	Avalon Westminster Promenade <i>Denver, CO</i>	312	107	Q3 2021	Q3 2023	Q4 2023	Q2 2024
14.	Avalon West Dublin <i>Dublin, CA</i>	499	270	Q3 2021	Q4 2023	Q1 2025	Q2 2025
15.	Avalon Princeton Circle <i>Princeton, NJ</i>	221	84	Q4 2021	Q1 2023	Q4 2023	Q1 2024
16.	Avalon Montville <i>Montville, NJ</i>	350	127	Q4 2021	Q3 2023	Q3 2024	Q4 2024
17.	Avalon Redmond Campus (5) <i>Redmond, WA</i>	214	80	Q4 2021	Q3 2023	Q1 2024	Q2 2024
	Total	<u>5,386</u>	<u>\$ 2,140</u>				

- (1) Projected total capitalized cost includes all capitalized costs projected to be or actually incurred to develop the respective Development Community, determined in accordance with GAAP, including land acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees, as well as costs incurred for first generation commercial tenants such as tenant improvements and leasing commissions.
- (2) Initial projected occupancy dates are estimates.
- (3) Stabilized operations is defined as the earlier of (i) attainment of 90% or greater physical occupancy or (ii) the one-year anniversary of completion of development.
- (4) Avalon Harrison contains 27,000 square feet of commercial space.
- (5) This is a densification of the existing eaves Redmond Campus operating community, where 48 existing older apartment homes were demolished and will be replaced by a new Avalon branded 214 apartment home community.

During the year ended December 31, 2021, we completed the development of the following wholly-owned communities:

		Number of apartment homes	Total capitalized cost (1) (\$ millions)	Approximate rentable area (sq. ft.)	Total capitalized cost per sq. ft.	Quarter of completion
1.	Avalon Yonkers <i>Yonkers, NY</i>	590	\$ 196	535,742	\$ 366	Q1 2021
2.	AVA Hollywood at La Pietra Place (2) <i>Hollywood, CA</i>	695	375	654,315	573	Q1 2021
3.	Avalon Acton II <i>Acton, MA</i>	86	31	128,044	242	Q1 2021
4.	Avalon Old Bridge <i>Old Bridge, NJ</i>	252	72	305,085	236	Q2 2021
5.	Avalon 555 President <i>Baltimore, MD</i>	400	138	339,566	406	Q2 2021
6.	Kanso Twinbrook <i>Rockville, MD</i>	238	67	199,122	336	Q2 2021
7.	Avalon Newcastle Commons II <i>Newcastle, WA</i>	293	107	266,164	402	Q2 2021
8.	Avalon Monrovia <i>Monrovia, CA</i>	154	69	157,548	438	Q3 2021
9.	Avalon Easton II <i>Easton, MA</i>	44	15	60,258	249	Q4 2021
	Total	<u>2,752</u>	<u>\$ 1,070</u>			

- (1) Total capitalized cost is as of December 31, 2021. We generally anticipate incurring additional costs associated with these communities that are customary for new developments.
- (2) AVA Hollywood at La Pietra Place contains 19,000 square feet of commercial space.

Unconsolidated Development Communities

During 2020, we entered into a joint venture to develop, own, and operate AVA Arts District, an apartment community located in Los Angeles, CA, which is currently under construction and expected to contain 475 apartment homes and 56,000 square feet of commercial space when completed. We own a 25.0% interest in the venture and contributed our total required equity investment of \$30,436,000. The venture has secured a \$167,147,000 variable rate construction loan to fund approximately 60% of the development of AVA Arts District, of which \$11,581,000 has been drawn as of December 31, 2021. We have guaranteed the construction loan on behalf of the venture, and any obligations under the construction loan guarantee, except for obligations arising from our misconduct, are required capital contributions of the partners based on ownership interest.

In addition, we have a 50.0% interest in Avalon Alderwood MF Member, LLC, a joint venture to develop, own, and operate Avalon Alderwood Mall, a 328 apartment home community located in Lynnwood, WA. Avalon Alderwood Mall, which is currently under construction, began leasing in 2021 with physical occupancy of 8% as of December 31, 2021.

As of December 31, 2021, we had an indirect interest in the following Unconsolidated Development Communities.

Unconsolidated Development Community	Company ownership percentage	# of apartment homes	Projected total capitalized cost (1) (\$ millions)	Construction start	Initial projected or actual occupancy	Estimated completion
1. Avalon Alderwood Mall <i>Lynnwood, WA</i>	50.0 %	328	\$ 110	Q4 2019	Q4 2021	Q3 2022
2. AVA Arts District <i>Los Angeles, CA</i>	25.0 %	475	276	Q3 2020	Q1 2023	Q4 2023
Total		<u>803</u>	<u>\$ 386</u>			

- (1) Projected total capitalized cost includes all capitalized costs projected to be incurred to develop the respective Unconsolidated Development Community, determined in accordance with GAAP, including land acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees and other regulatory fees, as well as costs incurred for first generation commercial tenants such as tenant improvements and leasing commissions. Projected total capitalized cost is the total projected joint venture amount.

Unconsolidated Operating Communities

As of December 31, 2021, we had investments in the following unconsolidated real estate entities accounted for under the equity method of accounting, excluding development joint ventures. See Note 5, "Investments," of the Consolidated Financial Statements included elsewhere in this report, which includes information on the aggregate assets, liabilities and equity, as well as operating results, and our proportionate share of their operating results. For ventures holding operating apartment communities as of December 31, 2021, detail of the real estate and associated indebtedness underlying our unconsolidated investments is presented in the following table (dollars in thousands).

Unconsolidated Real Estate Investments	Company Ownership Percentage	# of Apartment Homes	Total Capitalized Cost	Debt (1)			
				Principal Amount	Type	Interest Rate	Maturity Date
NYTA MF Investors LLC							
1. Avalon Bowery Place I—New York, NY		206	\$ 210,601	\$ 93,800	Fixed	4.01 %	Jan 2029
2. Avalon Bowery Place II—New York, NY		90	91,045	39,639	Fixed	4.01 %	Jan 2029
3. Avalon Morningside—New York, NY (2)		295	211,227	112,155	Fixed	3.55 %	Jan 2029/ May 2046
4. Avalon West Chelsea—New York, NY (3)		305	128,736	66,000	Fixed	4.01 %	Jan 2029
5. AVA High Line—New York, NY (3)		405	121,483	84,000	Fixed	4.01 %	Jan 2029
Total NYTA MF Investors LLC	20.0 %	1,301	763,092	395,594		3.88 %	
Archstone Multifamily Partners AC LP							
1. Avalon Studio 4121—Studio City, CA		149	57,274	26,300	Fixed	3.34 %	Nov 2022
2. Avalon Station 250—Dedham, MA		285	99,556	51,208	Fixed	3.73 %	Sep 2022
3. Avalon Grosvenor Tower—Bethesda, MD		237	81,072	39,697	Fixed	3.74 %	Sep 2022
Total Archstone Multifamily Partners AC LP	28.6 %	671	237,902	117,205		3.65 %	
Other Operating Joint Ventures							
1. MVP I, LLC - Avalon at Mission Bay II - San Francisco, CA	25.0 %	313	129,173	103,000	Fixed	3.24 %	Jul 2025
2. Brandywine Apartments of Maryland, LLC - Brandywine - Washington, D.C.	28.7 %	305	19,383	20,379	Fixed	3.40 %	Jun 2028
Total Other Joint Ventures		618	148,556	123,379		3.27 %	
Total Unconsolidated Investments		2,590	\$ 1,149,550	\$ 636,178		3.72 %	

- (1) We have not guaranteed the debt of these unconsolidated investees and bear no responsibility for the repayment unless otherwise disclosed.
- (2) Borrowing on this community is comprised of two mortgage loans. The interest rate is the weighted average interest rate as of December 31, 2021.
- (3) Borrowing on this dual-branded community is comprised of a single mortgage loan.

During 2021, the Archstone Multifamily Partners AC JV LP (the "AC JV") sold Avalon North Point and Avalon North Point Lofts, its final two communities containing an aggregate of 529 apartment homes, for an aggregate sales price of \$325,000,000. Our share of the gain was \$23,305,000. In conjunction with the disposition of Avalon North Point, the AC JV repaid a \$111,653,000 loan to the equity investors in the venture at par.

Development Rights

At December 31, 2021, we had \$147,546,000 in acquisition and related capitalized costs for direct interests in seven land parcels we own. In addition, we had \$40,414,000 in capitalized costs (including legal fees, design fees and related overhead costs) related to (i) 14 Development Rights for which we control the land parcel, typically through a conditional agreement or option to purchase or lease the land, as well as (ii) costs incurred for three Development Rights that are additional development phases of existing stabilized operating communities we own and which will be constructed on land currently adjacent to or directly associated with those operating communities for which we own the land. Collectively, the land held for development and associated costs for deferred development rights relate to 24 Development Rights for which we expect to develop new apartment communities in the future. The Development Rights range from those beginning design and architectural planning to those that have completed site plans and drawings and can begin construction almost immediately. We estimate that the successful completion of all of these communities would ultimately add approximately 8,070 apartment homes to our portfolio. Substantially all of these apartment homes will offer features like those offered by the communities we currently own.

The properties comprising the Development Rights are in different stages of the due diligence and regulatory approval process. The decisions as to which of the Development Rights to invest in, if any, or to continue to pursue once an investment in a Development Right is made, are business judgments that we make after we perform financial, demographic and other analyses. In the event that we do not proceed with a Development Right, we generally would not recover any of the capitalized costs incurred in the pursuit of those communities, unless we were to recover amounts in connection with the sale of land; however, we cannot guarantee a recovery. Pre-development costs incurred in the pursuit of Development Rights, for which future development is not yet considered probable, are expensed as incurred. In addition, if the status of a Development Right changes, making future development no longer probable, any unrecoverable capitalized pre-development costs are charged to expense. During 2021, we incurred a charge of \$3,231,000 for expensed transaction, development and other pursuit costs, net of recoveries, which include development pursuits that were not yet probable of future development at the time incurred, or for pursuits that we determined were no longer probable of being developed.

You should carefully review Item 1A. “Risk Factors,” for a discussion of the risks associated with Development Rights.

Land Acquisitions

We select land for development and follow established procedures that we believe minimize both the cost and the risks of development. During 2021, we acquired the following land parcels for an aggregate investment of \$174,224,000.

		Estimated number of apartment homes	Projected total capitalized cost (1) (\$ millions)	Date acquired
1.	Avalon Brighton (2) <i>Brighton, MA</i>	180	\$ 89	January 2021
2.	Avalon West Dublin (2) <i>Dublin, CA</i>	499	270	March 2021
3.	Avalon Amityville I (2) <i>Amityville, NY</i>	338	129	March 2021
4.	Avalon Governor's Park <i>Denver, CO</i>	304	135	March 2021
5.	Avalon North Andover (2) <i>North Andover, MA</i>	170	56	April 2021
6.	Avalon Princeton Circle (2) <i>Princeton, NJ</i>	221	84	October 2021
7.	Avalon West Windsor <i>West Windsor, NJ</i>	536	179	December 2021
8.	Avalon Beacon Square <i>Annapolis, MD</i>	508	190	December 2021
9.	Avalon Montville (2) <i>Montville, NJ</i>	350	127	December 2021
10.	Avalon Hunt Valley II <i>Hunt Valley, MD</i>	315	93	December 2021
	Total	3,421	\$ 1,352	

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- (1) Projected total capitalized cost includes all capitalized costs incurred to date (if any) and projected to be incurred to develop the respective community, determined in accordance with GAAP, including land and related acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees, as well as costs incurred for first generation commercial tenants such as tenant improvements and leasing commissions, net of projected proceeds for any planned sales of associated outparcels and other real estate.
 - (2) Construction on this land parcel commenced during 2021.

Disposition Activity

We sell assets when they do not meet our long-term investment strategy or when real estate markets allow us to realize a portion of the value created over our periods of ownership, and we generally redeploy the proceeds from those sales to develop, redevelop and acquire communities. Pending such redeployment, we will generally use the proceeds from the sale of these communities to reduce amounts outstanding under our Credit Facility or retain the cash proceeds on our balance sheet until it is redeployed into acquisition, development or redevelopment activity. On occasion, we will set aside the proceeds from the sale of communities into a cash escrow account to facilitate a tax-deferred, like-kind exchange transaction. From January 1, 2021 to January 31, 2022, we sold our interest in nine wholly-owned operating communities, containing 2,404 apartment homes, with an aggregate gross sales price of \$867,200,000.

Insurance and Risk of Uninsured Losses

We maintain commercial general liability insurance and property insurance with respect to all of our communities, with insurance policies issued by a combination of third party insurers as well as a wholly-owned captive insurance company. These policies, along with other insurance policies we maintain, have policy specifications, insured and self-insured limits, exclusions and deductibles that we consider commercially reasonable. We utilize a wholly-owned captive insurance company to insure certain types and amounts of risks, which include property damage and resulting business interruption losses, general liability insurance and other construction related liability risks. The captive is utilized to insure other limited levels of risk, which may be in part reinsured by third party insurance. There are, however, certain types of losses (including, but not limited to, losses arising from nuclear liability, pandemic or acts of war) that are not insured, in full or in part, because they are either uninsurable or the cost of insurance makes it, in management's view, economically impractical. You should carefully review the discussion under Part I, Item 1A. "Risk Factors" of this Form 10-K for a discussion of risks associated with an uninsured property or casualty loss.

Our communities are insured for certain property damage and business interruption losses through a combination of community specific insurance policies and/or a master property insurance program which covers the majority of our communities. This master property program provides a \$400,000,000 limit for any single occurrence and annually in the aggregate, subject to certain sub-limits and exclusions. Under the master property program, we are subject to various deductibles per occurrence, as well as additional self-insured retentions. In addition to our potential liability for the various policy self-insured retentions and deductibles, our captive insurance company is directly responsible for 100% of the first \$25,000,000 of losses (per occurrence) and 10% of the second \$25,000,000 of losses (per occurrence) incurred by the master property insurance policy. Our master property insurance program includes coverage for losses resulting from customary perils, including but not limited to wildfires and windstorms. Limits, deductibles, self-insured retentions and coverages may increase or decrease annually during the insurance renewal process, which occurs on different dates throughout the calendar year.

Many of our West Coast communities are located within the general vicinity of active earthquake faults. Many of our communities are near, and thus susceptible to, the major fault lines in California, including the San Andreas Fault, the Hayward Fault or other geological faults that are known or unknown. We cannot assure you that an earthquake would not cause damage or losses greater than our current insured levels. We procure property damage and resulting business interruption insurance coverage with a loss limit of \$175,000,000 for any single occurrence and in the annual aggregate for losses resulting from earthquakes. However, for any losses resulting from earthquakes at communities located in California or Washington, the loss limit is \$200,000,000 for any single occurrence and in the annual aggregate.

Our Southeast Florida communities are in wind exposed locations that could be impacted by significant storm events like hurricanes. We include coverage for losses arising from these types of weather events within our master property insurance program.

Our communities are insured for third-party liability losses through a combination of community specific insurance policies and/or coverage provided under a master commercial general liability and umbrella/excess insurance program. The master commercial general liability and umbrella/excess insurance policies cover the majority of our communities and are subject to certain coverage limitations and exclusions. After applicable self-insured retentions borne by us, our captive insurance company is directly responsible for the first \$2,000,000 of losses (per occurrence) covered by the master general liability insurance policy.

We also maintain certain casualty policies (general liability, umbrella/excess and workers compensation) for construction related risks that have various exclusions and deductibles that, in management's view, are commercially reasonable.

Just as with office buildings, transportation systems and government buildings, apartment communities could become targets of terrorism. Our communities are insured for terrorism related losses through the Terrorism Risk Insurance Program Reauthorization Act ("TRIPRA") program. This coverage extends to most of our casualty exposures (subject to deductibles and insured limits) and certain property insurance policies. We have also purchased private-market insurance for property damage due to terrorism with limits of \$600,000,000 per occurrence and in the annual aggregate that includes certain coverages (not covered under TRIPRA) such as domestic-based terrorism. This insurance, often referred to as "non-certified" terrorism insurance, is subject to deductibles, limits, and exclusions.

An additional consideration for insurance coverage and potential uninsured losses is mold growth or other environmental contamination. Mold growth may occur when excessive moisture accumulates in buildings or on building materials, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. If a significant mold problem arises at one of our communities, we could be required to undertake a costly remediation program to contain or remove the mold from the affected community and could be exposed to other liabilities. For further discussion of the risks and our related prevention and remediation activities, please refer to the discussion under Part I, Item 1A. "Risk Factors - We may incur costs due to environmental contamination or non-compliance" elsewhere in this report. We cannot provide assurance that we will have coverage under our existing policies for property damage or liability to third parties arising as a result of exposure to mold or a claim of exposure to mold at one of our communities.

We also maintain other insurance programs that provide coverage for events including but not limited to employee dishonesty, loss of data, and liability associated with management of certain employee benefit plans. These policies are subject to maximum loss limits and include coverage limitations or exclusion that may preclude us from fully recovering.

The amount or types of insurance we maintain may not be sufficient to cover all losses and we may change our policy limits, coverages, and self-insured retentions at any time.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various claims and/or administrative proceedings that arise in the ordinary course of its business. While no assurances can be given, the Company does not currently believe that any of these outstanding litigation matters, individually or in the aggregate, will have a material adverse effect on its financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NYSE under the ticker symbol AVB. On January 31, 2022 there were 431 holders of record of an aggregate of 139,752,486 shares of our outstanding common stock. The number of holders does not include individuals or entities who beneficially own shares but whose shares are held of record by a broker or clearing agency, but does include each such broker or clearing agency as one record holder.

At present, we expect to continue our policy of paying regular quarterly cash dividends. However, the form, timing and/or amount of dividend distributions will be declared at the discretion of the Board of Directors and will depend on actual cash from operations, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and other factors as the Board of Directors may consider relevant. The Board of Directors may modify our dividend policy from time to time.

In February 2022, we announced that our Board of Directors declared a dividend on our common stock for the first quarter of 2022 of \$1.59 per share, consistent with our previous quarterly dividend. The dividend will be payable on April 15, 2022 to all common stockholders of record as of March 31, 2022.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Dollar Amount that May Yet be Purchased Under the Plans or Programs (in thousands) (2)
October 1 - October 31, 2021	182	\$ 222.76	—	\$ 316,148
November 1 - November 30, 2021	—	\$ —	—	\$ 316,148
December 1 - December 31, 2021	56	\$ 235.45	—	\$ 316,148

(1) Consists of shares surrendered to the Company in connection with exercise of stock options as payment of exercise price, as well as for taxes associated with the vesting of restricted share grants.

(2) In July 2020, the Board of Directors approved the 2020 Stock Repurchase Program, under which the Company may acquire shares of its common stock in open market or negotiated transactions up to an aggregate purchase price of \$500,000,000. Purchases of common stock under the 2020 Stock Repurchase Program may be exercised from time to time in the Company's discretion and in such amounts as market conditions warrant. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, market conditions and other corporate liquidity requirements and priorities. The 2020 Stock Repurchase Program does not have an expiration date and may be suspended or terminated at any time without prior notice.

Information regarding securities authorized for issuance under equity compensation plans is included in the section entitled Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" in this Form 10-K.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help provide an understanding of our business, financial condition and results of operations. This MD&A should be read in conjunction with our Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements included elsewhere in this report. This report, including the following MD&A, contains forward-looking statements regarding future events or trends that should be read in conjunction with the factors described under "Forward-Looking Statements" included in this report. Actual results or developments could differ materially from those projected in such statements as a result of the factors described under "Forward-Looking Statements" as well as the risk factors described in Part I, Item 1A. "Risk Factors" of this report.

Capitalized terms used without definition have the meanings provided elsewhere in this Form 10-K.

Executive Overview

2021 Financial Highlights

Net income attributable to common stockholders for the year ended December 31, 2021 was \$1,004,299,000, an increase of \$176,669,000, or 21.3%, over the prior year. The increase is primarily attributable to increases in real estate sales and related gains, as well as increased NOI in the current year from Development and newly acquired communities. These amounts were partially offset by a decrease in NOI from Same Store and communities sold in 2020 and 2021, and an increase in depreciation expense in the current year.

Same Store NOI attributable to our apartment rental operations, including parking and other ancillary residential revenue ("Residential"), for the year ended December 31, 2021 was \$1,370,282,000, a decrease of \$66,283,000, or 4.6%, from the prior year. The decrease was due to a decrease in rental revenue of \$45,643,000, or 2.2%, as well as an increase in property operating expenses of \$20,300,000, or 3.2%, over 2020.

During 2021, we raised approximately \$2,138,184,000 of gross capital through the issuance of unsecured notes; sale of common shares under our fifth continuous equity program ("CEP V"); and the sale of nine consolidated operating communities, condominiums at The Park Loggia and other real estate. This amount does not include our share of proceeds from joint venture dispositions. We believe that our current capital structure will continue to provide financial flexibility to access capital on attractive terms.

We believe our development activity will continue to create long-term value. During 2021, we:

- Completed the construction of nine consolidated apartment communities containing an aggregate of 2,752 apartment homes and 29,000 square feet of commercial space, for an aggregate total capitalized cost of \$1,070,000,000.
- Started the construction of 10 consolidated apartment communities containing an aggregate of 3,010 apartment homes, which are expected to be completed for an estimated total capitalized cost of \$1,246,000,000.

We also achieved portfolio growth through acquisitions, acquiring seven consolidated apartment communities containing an aggregate of 1,932 apartment homes and 90,000 square feet of commercial space for an aggregate purchase price of \$724,500,000.

We believe that our balance sheet strength, as measured by our current level of indebtedness, our current ability to service interest and other fixed charges, and our current moderate use of financial encumbrances (such as secured financing), provide us with adequate access to liquidity from the capital markets. We expect to be able to meet our reasonably foreseeable liquidity needs, as they arise, through a combination of one or more of the following sources: existing cash on hand; operating cash flows; borrowings under our Credit Facility; secured debt; the issuance of corporate securities (which could include unsecured debt, preferred equity and/or common equity); the sale of apartment communities; or through the formation of joint ventures. See the discussion under "Liquidity and Capital Resources."

COVID-19 Pandemic

In response to the COVID-19 pandemic, we adjusted our business operations to address the safety of and financial impacts on our residents and associates, including, in certain jurisdictions (i) providing flexible lease renewal options, (ii) creating payment plans for residents who are impacted by COVID-19 and (iii) waiving late fees and certain other customary fees associated with apartment rentals. To the extent still implemented, we may discontinue these measures at any time except where required by law.

The impact on our consolidated results of operations from COVID-19 for future periods will depend, among other factors, on (i) the effect on the multifamily industry and the general economy of measures taken by businesses and the government to address COVID-19 and any variants and relieve the economic distress of consumers, such as governmental limitations on the ability of multifamily owners to evict residents who are delinquent in the payment of their rent, and (ii) the preferences of consumers and businesses for living and working arrangements both during and after the pandemic.

The COVID-19 pandemic continues to impact our collections and associated outstanding receivables, with the impact partially mitigated by payments received under government rent relief programs. The following table presents, for our 2021 Same Store communities for the periods presented, the percentages of the following charges to residents that we have collected, including (i) apartment base rent and (ii) other rentable items, such as parking and storage rent, along with pet and other recurring fees in accordance with residential leases (collectively, "Collected Residential Revenue," which excludes transactional fees). Included in collections are \$28,286,000 of aggregate rent relief payments received for our Same Store portfolio during the year ended December 31, 2021.

	<u>At quarter end (1)(2)</u>	<u>At January 31, 2022 (3)(4)</u>
Q2 2020	95.4%	98.5%
Q3 2020	95.1%	98.2%
Q4 2020	94.7%	98.1%
Q1 2021	94.7%	98.3%
Q2 2021	95.0%	98.8%
Q3 2021	95.8%	98.8%
Q4 2021	95.6%	97.0%

- (1) Collections are for our 2021 Same Store communities and exclude commercial revenue, which was 1.0% of our 2021 Same Store total revenue.
- (2) The Collected Residential Revenue percentage as of the last day in the respective quarter.
- (3) The percentage of Collected Residential Revenue as of January 31, 2022.
- (4) Collected Residential Revenue for January 2022 as of January 31, 2022 was 93.0%.

The collection rates are based on resident activity as reflected in our property management systems and are presented to provide information about collections trends during the COVID-19 pandemic. Prior to the COVID-19 pandemic, the collections information provided was not routinely produced for internal use by senior management or publicly disclosed by the Company and is a result of analysis that is not subject to internal controls over financial reporting. This information is not prepared in accordance with GAAP, does not reflect GAAP revenue or cash flow metrics and may be subject to adjustment in preparing GAAP revenue and cash flow metrics. Additionally, this information should not be interpreted as predicting the Company's financial performance, results of operations or liquidity for any period. As of December 31, 2021 and 2020, the outstanding rent receivable balance for residential and commercial tenants, net of reserves, was \$18,594,000 and \$18,159,000, respectively.

Communities Overview

As of December 31, 2021 we owned or held a direct or indirect ownership interest in 297 apartment communities containing 87,992 apartment homes in 12 states and the District of Columbia, of which 17 consolidated communities were under development and one community was under redevelopment. We have an indirect interest in 12 of the 297 apartment communities which were owned by entities that were not consolidated for financial reporting purposes, including two that are being developed within joint ventures. In addition, we held a direct or indirect ownership interest in Development Rights to develop an additional 24 communities that, if developed as expected, will contain an estimated 8,070 apartment homes.

Our real estate investments consist primarily of Current Communities, Development communities, Unconsolidated Development communities and Development Rights. Our Current Communities are further classified as Same Store

communities, Other Stabilized communities, Lease-Up communities, Redevelopment communities and Unconsolidated communities.

Same Store communities are consolidated communities that were owned and had stabilized occupancy as of the beginning of the prior year, allowing for a meaningful comparison of operating results between years. Other Stabilized communities are generally all other completed consolidated communities that have stabilized occupancy at the beginning of the current year or were acquired during the year. Lease-Up communities are consolidated communities where construction has been complete for less than one year and does not have stabilized occupancy. Redevelopment communities are consolidated communities where substantial redevelopment is in progress or is probable to begin during the fiscal year. Unconsolidated communities are communities in which we have an indirect ownership interest through our investment interest in an unconsolidated entity. A more detailed description of our reportable segments and other related operating information can be found in Note 8, "Segment Reporting," of our Consolidated Financial Statements.

Although each of these categories is important to our business, we generally evaluate overall operating, industry and market trends based on the operating results of Same Store communities, for which a detailed discussion can be found in "Results of Operations" as part of our discussion of overall operating results. We evaluate our current and future cash needs and future operating potential based on acquisition, disposition, development, redevelopment and financing activities within Other Stabilized, Redevelopment and Development communities. Discussions related to current and future cash needs and financing activities can be found under "Liquidity and Capital Resources."

NOI of our current operating communities is one of the financial measures that we use to evaluate the performance of our communities. NOI is affected by the demand and supply dynamics within our markets, our rental rates and occupancy levels and our ability to control operating costs. Our overall financial performance is also impacted by the general availability and cost of capital and the performance of newly developed, redeveloped and acquired apartment communities.

Results of Operations

Our year-over-year operating performance is primarily affected by both overall and individual geographic market conditions and apartment fundamentals and is reflected in changes in Same Store NOI; NOI derived from acquisitions, development completions and development under construction and in lease-up; loss of NOI related to disposed communities; and capital market and financing activity. In addition, as discussed above under “Executive Overview - COVID-19 Pandemic” and elsewhere in this report, the COVID-19 pandemic continues to affect our business, and may continue to do so. See also Part I, Item 1A, “Risk Factors.” Discussion of our operating results for 2020 and comparison to 2019 can be found in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-K filed with the SEC on February 25, 2021. A comparison of our operating results for 2021 and 2020 follows (dollars in thousands).

	For the year ended		2021 vs. 2020	
	2021	2020	\$ Change	% Change
Revenue:				
Rental and other income	\$ 2,291,766	\$ 2,297,442	\$ (5,676)	(0.2)%
Management, development and other fees	3,084	3,819	(735)	(19.2)%
Total revenue	2,294,850	2,301,261	(6,411)	(0.3)%
Expenses:				
Direct property operating expenses, excluding property taxes	469,123	448,658	20,465	4.6 %
Property taxes	283,089	273,189	9,900	3.6 %
Total community operating expenses	752,212	721,847	30,365	4.2 %
Corporate-level property management and other indirect operating expenses	(101,730)	(101,255)	(475)	0.5 %
Expensed transaction, development and other pursuit costs, net of recoveries	(3,231)	(12,399)	9,168	(73.9)%
Interest expense, net	(220,415)	(214,151)	(6,264)	2.9 %
Loss on extinguishment of debt, net	(17,787)	(9,333)	(8,454)	90.6 %
Depreciation expense	(758,596)	(707,331)	(51,265)	7.2 %
General and administrative expense	(69,611)	(60,343)	(9,268)	15.4 %
Casualty and impairment loss	(3,119)	—	(3,119)	100.0 %
Income from investments in unconsolidated entities	38,585	6,422	32,163	500.8 %
Gain on sale of communities	602,235	340,444	261,791	76.9 %
Gain on other real estate transactions, net	2,097	440	1,657	376.6 %
Net for-sale condominium activity	(977)	2,551	(3,528)	N/A (1)
Income before income taxes	1,010,089	824,459	185,630	22.5 %
Income tax (expense) benefit	(5,733)	3,247	(8,980)	N/A (1)
Net income	1,004,356	827,706	176,650	21.3 %
Net income attributable to noncontrolling interests	(57)	(76)	19	(25.0)%
Net income attributable to common stockholders	\$ 1,004,299	\$ 827,630	\$ 176,669	21.3 %

(1) Percent change is not meaningful.

Net income attributable to common stockholders increased \$176,669,000, or 21.3%, to \$1,004,299,000 in 2021 over 2020, primarily due to an increase in gains on consolidated and unconsolidated real estate dispositions in the current year, partially offset by a decrease in Same Store NOI and an increase in depreciation expense in the current year.

NOI is considered by management to be an important and appropriate supplemental performance measure to net income because it helps both investors and management to understand the core operations of a community or communities prior to the allocation of any corporate-level or financing-related costs. NOI reflects the operating performance of a community and allows for an easier comparison of the operating performance of individual assets or groups of assets. In addition, because prospective buyers of real estate have different financing and overhead structures, with varying marginal impact to overhead as a result of acquiring real estate, NOI is considered by many in the real estate industry to be a useful measure for determining the value of a real estate asset or group of assets. We define NOI as total property revenue less direct property operating expenses (including property taxes), and excluding corporate-level income (including management, development and other fees), corporate-level property management and other indirect operating expenses, expensed transaction, development and other pursuit costs, net of recoveries, interest expense, net, loss on extinguishment of debt, net, general and administrative expense, income from investments in unconsolidated entities, depreciation expense, income tax expense (benefit), casualty and impairment loss, gain on sale of communities, gain on other real estate transactions, net, net for-sale condominium activity and net operating income from real estate assets sold or held for sale.

NOI does not represent cash generated from operating activities in accordance with GAAP, and NOI should not be considered an alternative to net income as an indication of our performance. NOI should also not be considered an alternative to net cash flow from operating activities, as determined by GAAP, as a measure of liquidity, nor is NOI indicative of cash available to fund cash needs. Residential NOI represents results attributable to the Company's apartment rental operations, including parking and other ancillary residential revenue. Reconciliations of NOI and Residential NOI for the years ended December 31, 2021 and 2020 to net income for each year are as follows (dollars in thousands):

	For the year ended	
	12/31/21	12/31/20
Net income	\$ 1,004,356	\$ 827,706
Property management and other indirect operating expenses, net of corporate income	98,665	97,443
Expensed transaction, development and other pursuit costs, net of recoveries	3,231	12,399
Interest expense, net	220,415	214,151
Loss on extinguishment of debt, net	17,787	9,333
General and administrative expense	69,611	60,343
Income from investments in unconsolidated entities	(38,585)	(6,422)
Depreciation expense	758,596	707,331
Income tax expense (benefit)	5,733	(3,247)
Casualty and impairment loss	3,119	—
Gain on sale of communities	(602,235)	(340,444)
Gain on other real estate transactions, net	(2,097)	(440)
Net for-sale condominium activity	977	(2,551)
Net operating income from real estate assets sold or held for sale	(24,895)	(67,418)
NOI	<u>1,514,678</u>	<u>1,508,184</u>
Commercial NOI (1)	(25,745)	(12,559)
Residential NOI	<u>\$ 1,488,933</u>	<u>\$ 1,495,625</u>

(1) Represents results attributable to the non-apartment components of our mixed-use communities and other non-residential operations ("Commercial").

The Residential NOI changes for 2021 as compared to 2020 consists of changes in the following categories (dollars in thousands):

	<u>Full Year</u>
	<u>2021</u>
Same Store	\$ (66,283)
Other Stabilized	15,284
Development / Redevelopment	44,307
Total	<u>\$ (6,692)</u>

The decrease in our Residential Same Store NOI in 2021 is due to a decrease in rental revenue of \$45,643,000, or 2.2% and an increase in property operating expenses of \$20,300,000, or 3.2%, over 2020.

Rental and other income decreased \$5,676,000, or 0.2%, in 2021 compared to the prior year primarily due to decreased rental rates, amortization of concessions at our Same Store communities and decreased rental income from dispositions, partially offset by additional rental income generated from development completions and development under construction and in lease-up and acquisitions, increased occupancy at our Same Store communities and a decrease in commercial uncollectible lease revenue.

As discussed elsewhere in this report, the COVID-19 pandemic, and direct and indirect related economic, regulatory and operating impacts, are likely to continue to adversely affect our rental revenue. Deteriorating financial conditions among our residents and commercial tenants, as well as regulations that limit our ability to evict residents and tenants, may continue to result in higher than normal uncollectible lease revenue. The pandemic may also continue to depress demand among consumers for our apartments for a variety of other reasons, including (i) if consumers decide to live in markets that are less costly than ours for one or more reasons, such as a decline in their income, remote working arrangements, or if they cannot freely access neighborhood amenities like restaurants, gyms and entertainment venues; (ii) that consumers who would otherwise rent may seek home ownership; and (iii) ongoing downward pressures on demand for certain types of housing (e.g., corporate apartment homes) or by certain consumers (e.g. students or consumers who require seasonal job-related demand such as in the entertainment industry).

Consolidated Communities—The weighted average number of occupied apartment homes for consolidated communities increased to 75,744 apartment homes for 2021, as compared to 73,724 homes for 2020. The weighted average monthly rental revenue per occupied apartment home decreased to \$2,518 for 2021 as compared to \$2,593 in 2020.

Same Store rental revenue decreased \$35,671,000, or 1.7%, for the year ended December 31, 2021, compared to the prior year.

- Residential rental revenue decreased \$45,643,000, or 2.2%, for the year ended December 31, 2021, compared to the prior year, including an offsetting decrease in uncollectible lease revenue of \$2,227,000. See below for a table detailing the change in Same Store Residential rental revenue by market for the year ended December 31, 2021, including the attribution of the change between rental rates and Economic Occupancy (as defined below).
- As a result of the pandemic, we increased our use of residential concessions during 2021 and 2020 relative to concessions granted prior to 2020. Concessions for our Same Store communities granted in 2021 decreased from the prior year by \$6,209,000 to \$42,237,000. Concessions granted in 2021 remain at elevated levels relative to years prior to the COVID-19 pandemic. Concessions are amortized on a straight-line basis over the life of the respective leases (generally one year) and contributed to the overall decline in our Same Store rental revenue in 2021. The amortization of residential concessions for our Same Store communities increased by \$38,190,000 in 2021 as compared to the prior year, and the remaining net unamortized balance of residential concessions as of December 31, 2021 and 2020 was \$14,209,000 and \$30,272,000, respectively.
- Commercial rental revenue increased \$9,972,000, or 87.9%, for the year ended December 31, 2021, compared to the prior year due to a reduction in uncollectible lease revenue of \$11,826,000, for the year ended December 31, 2021.

The following table presents the change in Same Store Residential rental revenue for the year ended December 31, 2021, compared to the prior year:

	For the year ended 12/31/2021
Residential rental revenue	
Lease rates	(2.0)%
Concessions and other discounts	(1.8)%
Economic occupancy	1.4 %
Other rental revenue	0.1 %
Uncollectible lease revenue	0.1 %
Total Residential rental revenue	(2.2)%

The following table presents the change in Same Store Residential rental revenue, including the attribution of the change between rental rates and Economic Occupancy for the year ended December 31, 2021 (dollars in thousands).

	For the year ended									
	Residential rental revenue				Average rental rates			Economic Occupancy (1)		
			\$ Change	% Change	% Change			% Change		
	2021	2020	2021 to 2020	2021 to 2020	2021	2020	2021 to 2020	2021	2020	2021 to 2020
New England	\$ 302,334	\$ 305,504	\$ (3,170)	(1.0)%	\$ 2,747	\$ 2,839	(3.2)%	96.2 %	94.0 %	2.2 %
Metro NY/NJ	420,443	423,698	(3,255)	(0.8)%	3,073	3,151	(2.5)%	96.4 %	94.7 %	1.7 %
Mid-Atlantic	334,870	341,986	(7,116)	(2.1)%	2,148	2,226	(3.5)%	95.2 %	93.8 %	1.4 %
Southeast Florida	31,644	29,091	2,553	8.8 %	2,250	2,141	5.1 %	96.5 %	92.8 %	3.7 %
Denver, CO	23,739	21,293	2,446	11.5 %	1,896	1,737	9.2 %	96.1 %	93.8 %	2.3 %
Pacific Northwest	105,833	108,700	(2,867)	(2.6)%	2,197	2,261	(2.8)%	95.2 %	95.0 %	0.2 %
Northern California	358,353	398,115	(39,762)	(10.0)%	2,630	2,977	(11.7)%	96.0 %	94.3 %	1.7 %
Southern California	446,196	440,668	5,528	1.3 %	2,300	2,289	0.5 %	96.5 %	95.7 %	0.8 %
Total Same Store	<u>\$2,023,412</u>	<u>\$2,069,055</u>	<u>\$ (45,643)</u>	<u>(2.2)%</u>	<u>\$ 2,504</u>	<u>\$ 2,598</u>	<u>(3.6)%</u>	<u>96.0 %</u>	<u>94.6 %</u>	<u>1.4 %</u>

(1) Economic occupancy takes into account the fact that apartment homes of different sizes and locations within a community have different economic impacts on a community's gross revenue. Economic occupancy is defined as gross potential revenue less vacancy loss, as a percentage of gross potential revenue. Gross potential revenue is determined by valuing occupied homes at leased rates and vacant homes at market rents. Vacancy loss is determined by valuing vacant units at current market rents.

Direct property operating expenses, excluding property taxes increased \$20,465,000, or 4.6%, in 2021 as compared to the prior year, primarily due to the addition of newly developed and acquired apartment communities, as well as the timing of repairs and maintenance projects previously delayed due to the COVID-19 pandemic.

Same Store Residential direct property operating expenses, excluding property taxes, represents 99.9% of total Same Store operating expenses for the year ended December 31, 2021. Residential direct property operating expenses, excluding property taxes, increased \$14,759,000, or 3.7%, in 2021 as compared to the prior year, primarily due to the timing of repairs and maintenance projects previously delayed due to the COVID-19 pandemic.

Property taxes increased \$9,900,000, or 3.6%, in 2021 as compared to the prior year, primarily due to the addition of newly developed and acquired apartment communities and increased assessments for the Company's stabilized portfolio, partially offset by decreased property taxes from dispositions.

Same Store Residential property taxes represents 98.8% of total Same Store property taxes for the year ended December 31, 2021. For Same Store, property taxes increased \$5,541,000, or 2.3%, in 2021 as compared to the prior year, primarily due to increased assessments across the portfolio, increased rates in California and Metro NY/NJ and the expiration of certain property tax incentive programs in New York City in the current year, partially offset by successful appeals in 2021 in New York, California and Florida.

Expensed transaction, development and other pursuit costs, net of recoveries primarily reflect costs incurred for development pursuits not yet considered probable for development, as well as the abandonment of Development Rights and costs related to abandoned acquisition and disposition pursuits and any recoveries of costs incurred. These costs can be volatile, particularly in periods of increased acquisition pursuit activity, periods of economic downturn or when there is limited access to capital, and therefore may vary significantly from year to year. In addition, the timing for potential recoveries will not always align with the timing for expensing an abandoned pursuit. Expensed transaction, development and other pursuit costs, net of recoveries, decreased \$9,168,000, or 73.9%, in 2021 as compared to the prior year. The amount for 2020 includes the write-off of \$7,264,000 related to a Development Right in New York City.

Interest expense, net increased \$6,264,000, or 2.9%, in 2021 as compared to the prior year. This category includes interest costs offset by capitalized interest pertaining to development and redevelopment activity, amortization of premium/discount on debt, interest income and any mark to market impact from derivatives not in qualifying hedge relationships. The increase in 2021 was primarily due to a decrease in capitalized interest and an increase in the amount of unsecured indebtedness, partially offset by lower overall effective rates on unsecured indebtedness and a combination of a decrease in variable rates on, and amounts of, secured indebtedness.

Loss on extinguishment of debt, net reflects (i) prepayment penalties and (ii) the write-off of unamortized deferred financing costs, premiums/discounts and deferred hedging losses from our debt repurchase and retirement activity. The losses on extinguishment of debt, net of \$17,787,000 and \$9,333,000 in 2021 and 2020, respectively, were primarily due to the repayments of unsecured notes during each of those years.

Depreciation expense increased \$51,265,000, or 7.2%, in 2021 as compared to the prior year, primarily due to the addition of newly developed and acquired apartment communities, partially offset by dispositions.

General and administrative expense ("G&A") increased \$9,268,000, or 15.4%, in 2021 as compared to the prior year, primarily due to legal settlement proceeds that were present in the prior year, coupled with increases in the current year of compensation related expenses, including executive transition costs, during the year ended December 31, 2021.

Casualty and impairment loss for the year ended December 31, 2021 of \$3,119,000 consists of a \$1,971,000 charge recognized for the damages across several communities in our East Coast markets related to severe storms and a \$1,148,000 charge recognized for property and casualty damages resulting from a fire at an operating community.

Income from investments in unconsolidated entities increased \$32,163,000 in 2021 as compared to the prior year, due to unrealized gains on property technology investments recognized in the current year and the gain on the sale of the final two communities in Archstone Multifamily Partners AC JV LP (the "AC JV"), partially offset by the gain on the sale of a community in Archstone Multifamily Partners AC LP (the "U.S. Fund") in the prior year.

Gain on sale of communities increased in 2021 as compared to the prior year. The amount of gain realized in a given period depends on many factors, including the number of communities sold, the size and carrying value of the communities sold and the market conditions in the local area. The gains of \$602,235,000 and \$340,444,000 in 2021 and 2020, respectively, were primarily due to the sale of nine wholly-owned operating communities in both 2021 and 2020.

Gain on other real estate transactions, net represents the impact from the sale of land parcels and other tangible and intangible real estate assets, and increased \$1,657,000, or 376.6%, in 2021 due to the sale of residential entitlements.

Net for-sale condominium activity is a net expense of \$977,000 for the year ended December 31, 2021 and a net gain of \$2,551,000 for the year ended December 31, 2020, and is comprised of the net gain before taxes on the sale of condominiums at The Park Loggia less the associated marketing, operating and administrative costs. During the year ended December 31, 2021, we sold 53 residential condominiums at The Park Loggia, for gross proceeds of \$135,458,000, resulting in a gain in accordance with GAAP of \$3,110,000. During the year ended December 31, 2020, we sold 70 residential condominiums at The Park Loggia for gross proceeds of \$216,372,000, resulting in a gain in accordance with GAAP of \$8,213,000. In addition, we incurred \$4,087,000 and \$5,662,000 for the years ended December 31, 2021 and 2020, respectively, in marketing, operating and administrative costs.

Income tax (expense) benefit of \$5,733,000 for the year ended December 31, 2021 was related to activity generated through our taxable REIT subsidiaries ("TRS") and was comprised primarily of tax expense for condominium sales at The Park Loggia and other ancillary real estate. Income tax benefit for the year ended December 31, 2020 was primarily due to tax losses as well as provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act").

Reconciliation of FFO and Core FFO

Consistent with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts® (“Nareit”), we calculate Funds from Operations Attributable to Common Stockholders (“FFO”) as net income or loss attributable to common stockholders computed in accordance with GAAP, adjusted for:

- gains or losses on sales of previously depreciated operating communities;
- cumulative effect of change in accounting principle;
- impairment write-downs of depreciable real estate assets;
- write-downs of investments in affiliates due to a decrease in the value of depreciable real estate assets held by those affiliates;
- depreciation of real estate assets; and
- similar adjustments for unconsolidated partnerships and joint ventures, including those from a change in control.

FFO and FFO adjusted for non-core items, or “Core FFO,” as defined below, are generally considered by management to be appropriate supplemental measures of our operating and financial performance. In calculating FFO, we exclude gains or losses related to dispositions of previously depreciated property and exclude real estate depreciation, which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates. FFO can help with the comparison of the operating and financial performance of a real estate company between periods or as compared to different companies. By further adjusting for items that are not considered by us to be part of our core business operations, Core FFO can help with the comparison of the core operating performance of the Company year over year. We believe that, in order to understand our operating results, FFO and Core FFO should be considered in conjunction with net income as presented in the Consolidated Statements of Comprehensive Income included elsewhere in this report.

We calculate Core FFO as FFO, adjusted for:

- joint venture gains (if not adjusted through FFO), non-core costs and promoted interests from partnerships;
- casualty and impairment losses or gains, net on non-depreciable real estate;
- gains or losses from early extinguishment of consolidated borrowings;
- development pursuit write-offs and expensed transaction costs, net of recoveries;
- third-party business interruption insurance proceeds and the related lost NOI that is covered by the expected third party business interruption insurance proceeds;
- property and casualty insurance proceeds and legal settlement activity;
- gains or losses on sales of assets not subject to depreciation and other investment gains or losses;
- advocacy contributions, representing payments to promote our business interests;
- hedge ineffectiveness or gains or losses from derivatives not designated as hedges for accounting purposes;
- severance related costs;
- executive transition compensation costs;
- net for-sale condominium activity, including gains, marketing, operating and administrative costs and imputed carry cost;
- income taxes; and
- other non-core items.

FFO and Core FFO do not represent net income in accordance with GAAP, and therefore should not be considered an alternative to net income, which remains the primary measure, as an indication of our performance. In addition, FFO and Core FFO as calculated by other REITs may not be comparable to our calculations of FFO and Core FFO.

FFO and Core FFO also do not represent cash generated from operating activities in accordance with GAAP, and therefore should not be considered an alternative to net cash flows from operating activities, as determined by GAAP, as a measure of liquidity. Additionally, it is not necessarily indicative of cash available to fund cash needs. A presentation of GAAP-based cash flow metrics is included in our Consolidated Financial Statements included elsewhere in this report.

The following is a reconciliation of net income attributable to common stockholders to FFO attributable to common stockholders and to Core FFO attributable to common stockholders for the years ended December 31, 2021 and 2020 (dollars in thousands, except per share data).

	For the year ended	
	12/31/21	12/31/20
Net income attributable to common stockholders	\$ 1,004,299	\$ 827,630
Depreciation - real estate assets, including joint venture adjustments	753,755	704,331
Distributions to noncontrolling interests	48	48
Gain on sale of unconsolidated entities holding previously depreciated real estate	(23,305)	(5,157)
Gain on sale of previously depreciated real estate	(602,235)	(340,444)
Casualty and impairment loss on real estate	3,119	—
FFO attributable to common stockholders	<u>\$ 1,135,681</u>	<u>\$ 1,186,408</u>
Adjusting items:		
Unconsolidated entity (gains) losses, net (1)	(14,870)	375
Business interruption insurance proceeds	—	(385)
Lost NOI from casualty losses covered by business interruption insurance	—	48
Loss on extinguishment of consolidated debt	17,787	9,333
Gain on interest rate contract	(2,654)	(2,894)
Advocacy contributions	59	8,558
Executive transition compensation costs	3,010	—
Severance related costs	313	2,142
Development pursuit write-offs and expensed transaction costs, net of recoveries (2)	1,363	11,443
Gain on for-sale condominiums (3)	(3,110)	(8,213)
For-sale condominium marketing, operating and administrative costs (3)	4,087	5,662
For-sale condominium imputed carry cost (4)	7,031	11,317
Gain on other real estate transactions, net	(2,097)	(440)
Legal settlements	1,139	490
Income tax expense (benefit) (5)	5,733	(3,247)
Core FFO attributable to common stockholders	<u>\$ 1,153,472</u>	<u>\$ 1,220,597</u>
Weighted average common shares outstanding - diluted	139,717,399	140,435,195
EPS per common share - diluted	<u>\$ 7.19</u>	<u>\$ 5.89</u>
FFO per common share - diluted	<u>\$ 8.13</u>	<u>\$ 8.45</u>
Core FFO per common share - diluted	<u>\$ 8.26</u>	<u>\$ 8.69</u>

- (1) Amount for 2021 includes unrealized gains on property technology investments of \$15,908, partially offset by the write-off of asset management fee intangibles associated with the disposition of the final two AC JV communities.
- (2) Amount for 2020 includes the write-off of \$7,264 related to a Development Right in New York City.
- (3) The aggregate impact of (i) gain on for-sale condominiums and (ii) for-sale condominium marketing, operating and administrative costs is a net expense of \$977 for 2021, and a net gain of \$2,551 for 2020.
- (4) Represents the imputed carry cost of for-sale residential condominiums at The Park Loggia. We computed this adjustment by multiplying the total capitalized cost of completed and unsold for-sale residential condominiums by our weighted average unsecured debt rate.
- (5) Amount for 2021 relates to activity generated in our TRS and is comprised primarily of tax expense for condominium sales at The Park Loggia and other ancillary real estate. Amount for 2020 relates to tax losses as well as provisions of the CARES Act.

Liquidity and Capital Resources

We employ a disciplined approach to our liquidity and capital management. When we source capital, we take into account both our view of the most cost effective alternative available and our desire to maintain a balance sheet that provides us with flexibility. Our principal focus on near-term and intermediate-term liquidity is to ensure we have adequate capital to fund:

- development and redevelopment activity in which we are currently engaged or in which we plan to engage;
- the minimum dividend payments on our common stock required to maintain our REIT qualification under the Code;
- debt service and principal payments either at maturity or opportunistically before maturity;
- normal recurring operating expenses and corporate overhead expenses; and
- investment in our operating platform, including strategic investments.

Factors affecting our liquidity and capital resources are our cash flows from operations, financing activities and investing activities (including dispositions) as well as general economic and market conditions. Cash flows from operations are determined by: operating activities and factors including but not limited to (i) the number of apartment homes currently owned, (ii) rental rates, (iii) occupancy levels, (iv) uncollectible lease revenue levels or interruptions in collections caused by market conditions and (v) operating expenses with respect to apartment homes. The timing and type of capital markets activity in which we engage is affected by changes in the capital markets environment, such as changes in interest rates or the availability of cost-effective capital. Our plans for development, redevelopment, non-routine capital expenditure, acquisition and disposition activity are affected by market conditions and capital availability. We frequently review our liquidity needs, especially in periods with volatile market conditions, as well as the adequacy of cash flows from operations and other expected liquidity sources to meet these needs.

We had cash, cash equivalents and cash in escrow of \$543,788,000 at December 31, 2021, an increase of \$230,256,000 from \$313,532,000 at December 31, 2020. The following discussion relates to changes in cash, cash equivalents and cash in escrow due to operating, investing and financing activities, which are presented in our Consolidated Statements of Cash Flows included elsewhere in this report.

Operating Activities—Net cash provided by operating activities decreased to \$1,203,170,000 in 2021 from \$1,219,615,000 in 2020, primarily due to a decrease in NOI.

Investing Activities—Net cash used in investing activities totaled \$624,053,000 in 2021. The net cash used was primarily due to:

- acquisition of seven operating communities for \$771,692,000;
- investment of \$654,861,000 in the development and redevelopment of communities; and
- capital expenditures of \$153,235,000 for our operating communities and non-real estate assets.

These amounts were partially offset by:

- net proceeds from the disposition of nine operating communities and ancillary real estate of \$850,230,000; and
- net proceeds from the sale of for-sale residential condominiums of \$124,532,000.

Financing Activities—Net cash used in financing activities totaled \$348,861,000 in 2021. The net cash used was primarily due to:

- payment of cash dividends in the amount of \$888,344,000;
- repayment of unsecured notes in the amount of \$462,147,000; and
- mortgage notes repayments and principal amortization payments in the amount of \$109,562,000.

These amounts were partially offset by:

- proceeds from the issuance of unsecured notes in the amount of \$1,098,643,000; and
- the issuance of common stock in the amount of \$31,874,000 primarily through CEP V.

Variable Rate Unsecured Credit Facility

We have a \$1,750,000,000 revolving variable rate unsecured credit facility with a syndicate of banks (the “Credit Facility”) which matures in February 2024. The Credit Facility bears interest at varying levels based on (i) the London Interbank Offered Rate (“LIBOR”) applicable to the period of borrowing for a particular draw of funds from the facility (e.g., one month to maturity, three months to maturity, etc.) and (ii) the rating levels issued for our unsecured notes. The current stated pricing for drawn borrowings is LIBOR plus 0.775% per annum (0.88% at January 31, 2022), assuming a one month borrowing rate. The annual facility fee for the Credit Facility remained at 0.125%, resulting in a fee of \$2,188,000 annually based on the \$1,750,000,000 facility size and based on our current credit rating.

We had no borrowings outstanding under the Credit Facility and had \$6,969,000 outstanding in letters of credit that reduced our borrowing capacity as of January 31, 2022. In addition, we had \$39,581,000 outstanding in additional letters of credit unrelated to the Credit Facility as of January 31, 2022.

The phase-out of LIBOR and expected transition to SOFR as a benchmark interest rate will have uncertain and possibly adverse effects on our LIBOR borrowings. See Item 1A. “Risk Factors” for further discussion.

Financial Covenants

We are subject to financial covenants contained in the Credit Facility, Term Loans and the indentures under which our unsecured notes were issued. The principal financial covenants include the following:

- limitations on the amount of total and secured debt in relation to our overall capital structure;
- limitations on the amount of our unsecured debt relative to the undepreciated basis of real estate assets that are not encumbered by property-specific financing; and
- minimum levels of debt service coverage.

We were in compliance with these covenants at December 31, 2021.

In addition, some of our secured borrowings include yield maintenance, defeasance, or prepayment penalty provisions, which would result in us incurring an additional charge in the event of a full or partial prepayment of outstanding principal before the scheduled maturity. These provisions in our secured borrowings are generally consistent with other similar types of debt instruments issued during the same time period in which our borrowings were secured.

Continuous Equity Offering Program

In May 2019, we commenced CEP V under which we may sell (and/or enter into forward sale agreements for the sale of) up to \$1,000,000,000 of our common stock from time to time. Actual sales will depend on a variety of factors to be determined, including market conditions, the trading price of our common stock and our determinations of the appropriate funding sources. We engaged sales agents for CEP V who receive compensation of up to 1.5% of the gross sales price for shares sold. We expect that, if entered into, we will physically settle each forward sale agreement on one or more dates prior to the maturity date of that particular forward sale agreement, and to receive aggregate net cash proceeds at settlement equal to the number of shares underlying the particular forward agreement multiplied by the forward sale price. However, we may also elect to cash settle or net share settle a forward sale agreement. In connection with each forward sale agreement, we will pay the forward seller, in the form of a reduced initial forward sale price, a commission of up to 1.5% of the sales prices of all borrowed shares of common stock sold. During 2021 and through January 31, 2022, we sold 122,343 shares of common stock at an average sales price of \$226.15 per share, for net proceeds of \$27,253,000 under this program. In addition, at December 31, 2021, we were party to a forward contract under CEP V to sell 68,577 shares of common stock for approximate proceeds of \$16,000,000 net of offering fees and discounts based on the initial forward price, with settlement of the forward contract to occur on one or more dates not later than December 31, 2022. The final proceeds will be determined on the date(s) of settlement after adjustments for our dividends and a daily interest factor. As of January 31, 2022, we had \$705,961,000 remaining authorized for issuance under this program, after consideration of the forward contract.

Forward Interest Rate Swap Agreements

The following derivative activity occurred during the year ended December 31, 2021:

- We terminated \$150,000,000 of forward interest rate swap agreements for which hedge accounting was ceased in 2020, receiving a payment of \$6,962,000. We recognized \$2,894,000 of these proceeds as a gain in 2020 and \$2,654,000 of these proceeds as a gain during the year ended December 31, 2021, included in interest expense, net on the accompanying Consolidated Statements of Comprehensive Income.
- In conjunction with the issuance of our \$700,000,000 2.05% unsecured notes due 2032 in September 2021, we settled \$200,000,000 of forward interest rate swap agreements, entered into in 2021, designated as cash flow hedges of the interest rate variability on the issuance of the unsecured notes, making a net payment of \$2,211,000. We have deferred these amounts in accumulated other comprehensive loss on the accompanying Consolidated Balance Sheets, and are recognizing the impact as a component of interest expense, net, over the term of the respective hedged debt.
- We entered into an additional \$150,000,000 of new forward interest rate swap agreements executed to reduce the impact of variability in interest rates on a portion of our expected debt issuance activity in 2022.

At the maturity of the remaining outstanding swap agreements, we expect to cash settle the contracts and either pay or receive cash for the then current fair value. Assuming that we issue the debt as expected, the hedging impact from these positions will then be recognized over the life of the issued debt as a yield adjustment.

Stock Repurchase Program

In July 2020, our Board of Directors approved a new stock repurchase program under which we may acquire shares of our common stock in open market or negotiated transactions up to an aggregate purchase price of \$500,000,000 (the "2020 Stock Repurchase Program"). Purchases of common stock under the 2020 Stock Repurchase Program may be exercised at our discretion with the timing and number of shares repurchased depending on a variety of factors including price, corporate and regulatory requirements, market conditions and other corporate liquidity requirements and priorities. The 2020 Stock Repurchase Program does not have an expiration date and may be suspended or terminated at any time without prior notice. During 2021 and through January 31, 2022, we had no repurchases of shares under this program. As of January 31, 2022, we had \$316,148,000 remaining authorized for purchase under this program.

Future Financing and Capital Needs—Debt Maturities and Material Obligations

One of our principal long-term liquidity needs is the repayment of long-term debt at maturity. For both our unsecured and secured notes, a portion of the principal of these notes may be repaid prior to maturity. Early retirement of our unsecured or secured notes could result in gains or losses on extinguishment. If we do not have funds on hand sufficient to repay our indebtedness as it becomes due, it will be necessary for us to refinance or otherwise provide liquidity to satisfy the debt at maturity. This refinancing may be accomplished by uncollateralized private or public debt offerings, equity issuances, additional debt financing that is secured by mortgages on individual communities or groups of communities or borrowings under our Credit Facility. Although we believe we will have the capacity to meet our currently anticipated liquidity needs, we cannot assure you that capital from additional debt financing or debt or equity offerings will be available or, if available, that they will be on terms we consider satisfactory, especially in light of the uncertain impacts of the COVID-19 pandemic on capital markets.

The following debt activity occurred during 2021:

- In January 2021, we repaid \$27,795,000 principal amount of 5.37% fixed rate secured debt at par in advance of the April 2021 maturity date.
- In September 2021, we repaid \$450,000,000 principal amount of our 2.95% unsecured notes in advance of the September 2022 scheduled maturity, recognizing a loss on debt extinguishment of \$17,890,000, composed of a prepayment penalty of \$12,147,000, and the non-cash write off of unamortized deferred hedging losses and unamortized deferred financing costs of \$5,743,000.
- In September 2021, we issued \$700,000,000 principal amount of unsecured notes in a public offering under our existing shelf registration statement for proceeds net of underwriting fees of approximately \$694,617,000, before

considering the impact of other offering costs. The notes mature in January 2032 and were issued at a 2.05% interest rate. The notes were issued under our green bond framework, and we have allocated or will allocate the net proceeds, in whole or in part, to one or more new or existing eligible green projects.

- In November 2021, we repaid an aggregate of \$73,060,000 principal amount of fixed rate secured debt with a weighted average interest rate of 3.79% at par in advance of the November 2036 maturity date.
- In November 2021, we issued \$400,000,000 principal amount of unsecured notes in a public offering under our existing shelf registration statement for proceeds net of underwriting fees of approximately \$396,976,000, before considering the impact of other offering costs. The notes mature in December 2028 and were issued at a 1.90% interest rate. The notes were issued under our green bond framework, and we have allocated or will allocate the net proceeds, in whole or in part, to one or more new or existing eligible green projects.

The following table details our consolidated debt obligations, including the effective interest rate and contractual maturity dates, and principal payments for periodic amortization and maturities for the next five years, excluding our Credit Facility and amounts outstanding related to communities classified as held for sale, for debt outstanding at December 31, 2021 and 2020 (dollars in thousands). We are not directly or indirectly (as borrower or guarantor) obligated in any material respect to pay principal or interest on the indebtedness of any unconsolidated entities in which we have an equity or other interest.

Community	All-In interest rate (1)	Principal maturity date	Balance Outstanding (2)		Scheduled Maturities					
			12/31/2020	12/31/2021	2022	2023	2024	2025	2026	Thereafter
Tax-exempt bonds										
<i>Fixed rate</i>										
Avalon at Chestnut Hill	6.16 %	Oct-2047	\$ 36,399	\$ 35,770	\$ 663	\$ 699	\$ 737	\$ 778	\$ 820	\$ 32,073
Avalon Westbury	3.86 %	Nov-2036 (3)	62,200	—	—	—	—	—	—	—
			<u>98,599</u>	<u>35,770</u>	<u>663</u>	<u>699</u>	<u>737</u>	<u>778</u>	<u>820</u>	<u>32,073</u>
<i>Variable rate</i>										
Avalon Acton	1.14 %	Jul-2040 (4)	45,000	45,000	—	—	—	—	—	45,000
Avalon Clinton North	1.79 %	Nov-2038 (4)	147,000	147,000	—	—	—	—	—	147,000
Avalon Clinton South	1.79 %	Nov-2038 (4)	121,500	121,500	—	—	—	—	—	121,500
Avalon Midtown West	1.72 %	May-2029 (4)	93,500	88,300	5,600	6,100	6,800	7,300	8,100	54,400
Avalon San Bruno I	1.68 %	Dec-2037 (4)	63,850	62,350	2,000	2,200	2,300	2,400	2,500	50,950
			<u>470,850</u>	<u>464,150</u>	<u>7,600</u>	<u>8,300</u>	<u>9,100</u>	<u>9,700</u>	<u>10,600</u>	<u>418,850</u>
Conventional loans										
<i>Fixed rate</i>										
\$450 million unsecured notes	4.30 %	Sep-2022 (3)	450,000	—	—	—	—	—	—	—
\$250 million unsecured notes	3.00 %	Mar-2023	250,000	250,000	—	250,000	—	—	—	—
\$350 million unsecured notes	4.30 %	Dec-2023	350,000	350,000	—	350,000	—	—	—	—
\$300 million unsecured notes	3.66 %	Nov-2024	300,000	300,000	—	—	300,000	—	—	—
\$525 million unsecured notes	3.55 %	Jun-2025	525,000	525,000	—	—	—	525,000	—	—
\$300 million unsecured notes	3.62 %	Nov-2025	300,000	300,000	—	—	—	300,000	—	—
\$475 million unsecured notes	3.35 %	May-2026	475,000	475,000	—	—	—	—	475,000	—
\$300 million unsecured notes	3.01 %	Oct-2026	300,000	300,000	—	—	—	—	300,000	—
\$350 million unsecured notes	3.95 %	Oct-2046	350,000	350,000	—	—	—	—	—	350,000
\$400 million unsecured notes	3.50 %	May-2027	400,000	400,000	—	—	—	—	—	400,000
\$300 million unsecured notes	4.09 %	Jul-2047	300,000	300,000	—	—	—	—	—	300,000
\$450 million unsecured notes	3.32 %	Jan-2028	450,000	450,000	—	—	—	—	—	450,000
\$300 million unsecured notes	3.97 %	Apr-2048	300,000	300,000	—	—	—	—	—	300,000
\$450 million unsecured notes	3.66 %	Jun-2029	450,000	450,000	—	—	—	—	—	450,000
\$700 million unsecured notes	2.69 %	Mar-2030	700,000	700,000	—	—	—	—	—	700,000
\$600 million unsecured notes	2.65 %	Jan-2031	600,000	600,000	—	—	—	—	—	600,000
\$700 million unsecured notes	2.16 %	Jan-2032	—	700,000	—	—	—	—	—	700,000
\$400 million unsecured notes	2.04 %	Dec-2028	—	400,000	—	—	—	—	—	400,000
Avalon Walnut Creek	4.00 %	Jul-2066	4,001	4,161	—	—	—	—	—	4,161
eaves Los Feliz	3.68 %	Jun-2027	41,400	41,400	—	—	—	—	—	41,400
eaves Woodland Hills	3.67 %	Jun-2027	111,500	111,500	—	—	—	—	—	111,500
Avalon Russett	3.77 %	Jun-2027	32,200	32,200	—	—	—	—	—	32,200

Community	All-In interest rate (1)	Principal maturity date	Balance Outstanding (2)		Scheduled Maturities					
			12/31/2020	12/31/2021	2022	2023	2024	2025	2026	Thereafter
Avalon San Bruno II	3.85 %	Apr-2021 (3)	27,844	—	—	—	—	—	—	—
Avalon Westbury	4.88 %	Nov-2036 (3)	12,170	—	—	—	—	—	—	—
Avalon San Bruno III	2.38 %	Mar-2027	51,000	51,000	—	—	—	—	—	51,000
Avalon Cerritos	3.35 %	Aug-2029	30,250	30,250	—	—	—	—	—	30,250
			6,810,365	7,420,511	—	600,000	300,000	825,000	775,000	4,920,511
<i>Variable rate</i>										
Term Loan - \$100 million	1.18 %	Feb-2022	100,000	100,000	100,000	—	—	—	—	—
Term Loan - \$150 million	1.11 %	Feb-2024	150,000	150,000	—	—	150,000	—	—	—
			250,000	250,000	100,000	—	150,000	—	—	—
Total indebtedness - excluding Credit Facility			<u>\$ 7,629,814</u>	<u>\$ 8,170,431</u>	<u>\$108,263</u>	<u>\$608,999</u>	<u>\$459,837</u>	<u>\$835,478</u>	<u>\$786,420</u>	<u>\$ 5,371,434</u>

- (1) Rates are given as of December 31, 2021 and include credit enhancement fees, facility fees, trustees' fees, the impact of interest rate hedges, offering costs, mark to market amortization and other fees.
- (2) Balances outstanding represent total amounts due at maturity, and exclude deferred financing costs and debt discount for the unsecured notes of \$50,606 and \$47,995 as of December 31, 2021 and 2020, respectively, deferred financing costs and debt discount associated with secured notes of \$16,278 and \$17,482 as of December 31, 2021 and 2020, respectively, as reflected on our Consolidated Balance Sheets included elsewhere in this report.
- (3) During 2021, we repaid this borrowing in advance of its scheduled maturity date.
- (4) Financed by variable rate debt, but interest rate is capped through an interest rate protection agreement.

In addition to consolidated debt, we have scheduled contractual obligations associated with (i) ground leases for land underlying current operating or development communities and commercial and parking facilities and (ii) office leases for our corporate headquarters and regional offices of \$14,879,000 for 2022, \$14,642,000 for 2023 and \$372,346,000 thereafter.

Future Financing and Capital Needs—Portfolio and Capital Markets Activity

In 2022, we expect to meet our liquidity needs from one or more of a variety of internal and external sources, which may include (i) real estate dispositions, (ii) cash balances on hand as well as cash generated from our operating activities, (iii) borrowing capacity under our Credit Facility and (iv) secured and unsecured debt financings. Additional sources of liquidity in 2022 may include the issuance of common and preferred equity. Our ability to obtain additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the overall availability of credit to the real estate industry, our credit ratings and credit capacity, as well as the perception of lenders regarding our long or short-term financial prospects.

Before beginning new construction or reconstruction activity in 2022, including activity related to communities owned by unconsolidated joint ventures, we plan to source sufficient capital to complete these undertakings, although we cannot assure you that we will be able to obtain such financing. In the event that financing cannot be obtained, we may have to abandon Development Rights, write off associated pre-development costs that were capitalized and/or forego reconstruction activity. In such instances, we will not realize the increased revenues and earnings that we expected from such Development Rights or reconstruction activity and significant losses could be incurred.

From time to time we use joint ventures to hold or develop individual real estate assets. We generally employ joint ventures primarily to mitigate asset concentration or market risk and secondarily as a source of liquidity. We may also use joint ventures related to mixed-use land development opportunities and new markets where our partners bring development and operational expertise and/or experience to the venture. Each joint venture or partnership agreement has been individually negotiated, and our ability to operate and/or dispose of a community in our sole discretion may be limited to varying degrees depending on the terms of the joint venture or partnership agreement. We cannot assure you that we will achieve our objectives through joint ventures.

In addition, we may invest, through mezzanine loans or other preferred equity investments, in multifamily development projects being undertaken by third parties. In these cases, we do not expect to acquire the underlying real estate but rather to earn a return on our investment (through interest or fixed rate preferred equity returns) and a return of the invested capital generally following completion of construction either on or before a set due date. As of January 31, 2022, we have not made any such investments but are pursuing opportunities.

In evaluating our allocation of capital within our markets, we sell assets that do not meet our long-term investment criteria or when capital and real estate markets allow us to realize a portion of the value created over our ownership periods and redeploy the proceeds from those sales to develop and redevelop communities. Because the proceeds from the sale of communities may not be immediately redeployed into revenue-generating assets that we develop, redevelop or acquire, the immediate effect of a sale of a community for a gain is to increase net income, but reduce future total revenues, total expenses and NOI until such time as the proceeds have been redeployed into revenue generating assets. We believe that the temporary absence of future cash flows from communities sold will not have a material impact on our ability to fund future liquidity and capital resource needs.

Investments

We invest in consolidated real estate entities, unconsolidated investments in real estate ventures and direct and indirect investments in technology and environmentally focused companies through investment management funds.

Consolidated Investments

During the year ended December 31, 2021, we acquired the following communities, which includes acquisitions marking our entry in the Texas and North Carolina expansion markets, containing 90,000 square feet of commercial space (dollars in thousands). See Note 5, "Investments," for further discussion.

Community Name	Location	Apartment homes	Purchase price
Avalon Arundel Crossing East	Linthicum Heights, MD	384	\$ 119,000
Avalon Lakeside	Flower Mound, TX	425	\$ 117,000
Hub South End	Charlotte, NC	265	\$ 104,350
Three30Five	Charlotte, NC	164	\$ 52,650
Avalon Fort Lauderdale	Fort Lauderdale, FL	243	\$ 150,000
Avalon Miramar	Miramar, FL	380	\$ 133,000
Hawk	Charlotte, NC	71	\$ 48,500

During the year ended December 31, 2021, we sold nine wholly-owned operating communities containing 2,404 apartment homes and 30,000 square feet of commercial space (dollars in thousands). See Note 6, "Real Estate Disposition Activities," for further discussion.

Community Name	Location	Period of sale	Apartment homes	Gross sales price	Gain on disposition
eaves Stamford	Stamford, CT	Q121	238	\$ 72,000	\$ 53,775
Avalon Norwalk	Norwalk, CT	Q221	311	\$ 103,000	\$ 48,912
AVA Cortez Hill	San Diego, CA	Q221	299	\$ 96,500	\$ 75,716
Avalon Redmond Place	Redmond, WA	Q221	222	\$ 97,700	\$ 70,545
Avalon Bronxville	Bronxville, NY	Q221	110	\$ 89,000	\$ 71,773
Avalon Glen Cove & Avalon Glen Cove North	Glen Cove, NY	Q221	367	\$ 126,000	\$ 65,242
eaves Lawrenceville	Lawrenceville, NJ	Q421	632	\$ 208,000	\$ 157,801
Avalon at Center Place	Providence, RI	Q421	225	\$ 75,000	\$ 58,387

Unconsolidated Investments

During the year ended December 31, 2021, we had the following investment activity related to our unconsolidated real estate and technology and environmentally focused investments. See Note 5, "Investments," for further discussion.

- Archstone Multifamily Partners AC JV LP (the "AC JV") sold its final two communities, Avalon North Point and Avalon North Point Lofts, located in Cambridge, MA, for \$325,000,000. Our proportionate share of the gain in accordance with GAAP was \$23,305,000. In conjunction with the disposition of Avalon North Point, the AC JV repaid a \$111,653,000 loan made by equity investors in the venture at par.
- Arts District Joint Venture was formed to develop, own, and operate AVA Arts District, an apartment community located in Los Angeles, CA, which is currently under construction and expected to contain 475 apartment homes and 56,000 square feet of commercial space when completed. We have a 25.0% ownership interest in the venture. As of December 31, 2021, excluding costs incurred in excess of equity in the underlying net assets of the venture, we have an equity investment of \$30,436,000 in the venture. In addition to the equity contributions, the venture borrowed \$11,581,000 under its \$167,147,000 of the construction loan during the year ended December 31, 2021.
- Avalon Alderwood MF Member, LLC ("Avalon Alderwood Mall") was formed to develop, own, and operate Avalon Alderwood Mall, an apartment community located in Lynnwood, WA, which is currently under construction and expected to contain 328 apartment homes when completed. We have a 50.0% ownership interest in the venture. As of December 31, 2021, we have an equity investment of \$55,054,000 in the venture, which represents substantially all of our required equity contributions.
- We invested \$17,277,000 in various property technology and environmentally focused companies directly and indirectly through investment management funds. We have \$39,890,000 of outstanding equity commitments to these investment management funds, with the timing and amount for these commitments to be fulfilled dependent on if, and when, investment opportunities are identified by the respective funds. During the year ended December 31, 2021, we recognized income and unrealized gains of \$15,908,000 related to these investments, included as a component of Income from investments in unconsolidated entities on the Consolidated Statements of Comprehensive Income.

Supplemental U.S. Federal Income Tax Considerations

The following discussion supplements and updates the disclosures under "Certain U.S. Federal Income Tax Considerations and Consequences of Your Investment" in the prospectus dated February 25, 2021 contained in our Registration Statement on Form S-3 filed with the SEC on February 25, 2021.

The second paragraph under the heading "-U.S. Taxation of Non-U.S. Stockholders-Distributions Attributable to Sale or Exchange of Real Property" is hereby deleted and replaced with the following:

Subject to the following paragraph, we will be required to withhold and remit to the IRS 21% (or the then applicable highest corporate rate of U.S. federal income tax) of any distributions to non-U.S. stockholders attributable to gain from our sale or exchange of U.S. real property interests. Under long-standing regulations, we also may be required to withhold on any distributions to non-U.S. stockholders that we designate as capital gain dividends, including any distributions that could have been designated as capital gain dividends. Amounts so withheld are creditable against the

non-U.S. stockholder's U.S. federal income tax liability. A non-U.S. stockholder who receives distributions attributable to gain from a sale or exchange by us of U.S. real property interests will be required to file a U.S. federal income tax return for the taxable year.

Forward-Looking Statements

This Form 10-K contains "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by our use of the words "believe," "expect," "anticipate," "intend," "estimate," "assume," "project," "plan," "may," "shall," "will," "pursue" and other similar expressions in this Form 10-K, that predict or indicate future events and trends and that do not report historical matters. These statements include, among other things, statements regarding our intent, belief or expectations with respect to:

- the impact of the COVID-19 pandemic on our business, results of operations and financial condition;
- our potential development, redevelopment, acquisition or disposition of communities;
- the timing and cost of completion of apartment communities under construction, reconstruction, development or redevelopment;
- the timing of lease-up, occupancy and stabilization of apartment communities;
- the timing and net sales proceeds of condominium sales;
- the pursuit of land on which we are considering future development;
- the anticipated operating performance of our communities;
- cost, yield, revenue, NOI and earnings estimates;
- the impact of landlord-tenant laws and rent regulations;
- our expansion into new markets;
- our declaration or payment of dividends;
- our joint venture and discretionary fund activities;
- our policies regarding investments, indebtedness, acquisitions, dispositions, financings and other matters;
- our qualification as a REIT under the Code;
- the real estate markets in Metro New York/New Jersey, Northern and Southern California, Denver, Colorado, Southeast Florida, Dallas and Austin, Texas and Charlotte and Raleigh-Durham, North Carolina, and markets in selected states in the Mid-Atlantic, New England and Pacific Northwest regions of the United States and in general;
- the availability of debt and equity financing;
- interest rates;
- general economic conditions, including the potential impacts from current economic conditions and the COVID-19 pandemic;
- trends affecting our financial condition or results of operations; and
- the impact of outstanding legal proceedings.

We cannot assure the future results or outcome of the matters described in these statements; rather, these statements merely reflect our current expectations of the approximate outcomes of the matters discussed. We do not undertake a duty to update these forward-looking statements, and therefore they may not represent our estimates and assumptions after the date of this report. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. These risks, uncertainties and other factors may cause our actual results, performance or achievements to differ materially from the anticipated future results, performance or achievements expressed or implied by these forward-looking statements. You should carefully review the discussion under Item 1A. "Risk Factors" in this report for further discussion of risks associated with forward-looking statements.

Risks and uncertainties that might cause such differences include those related to the COVID-19 pandemic, including, among other factors, (i) the effect on the multifamily industry and the general economy of measures taken by businesses and the government, including measures to relieve economic distress, such as governmental limitations on the ability of multifamily owners to evict residents who are delinquent in the payment of their rent and (ii) the preferences of consumers and businesses for living and working arrangements both during and after the pandemic. In addition, the effects of the pandemic are likely to heighten the following risks, which we routinely face in our business.

Some of the factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements include, but are not limited to, the following:

- we may fail to secure development opportunities due to an inability to reach agreements with third parties to obtain land at attractive prices or to obtain desired zoning and other local approvals;

- we may abandon or defer development opportunities for a number of reasons, including changes in local market conditions which make development less desirable, increases in costs of development, increases in the cost of capital or lack of capital availability, resulting in losses;
- construction costs of a community may exceed our original estimates;
- we may not complete construction and lease-up of communities under development or redevelopment on schedule, resulting in increased interest costs and construction costs and a decrease in our expected rental revenues;
- the timing and net proceeds of condominium sales may not equal our current expectations;
- occupancy rates and market rents may be adversely affected by competition and local economic and market conditions which are beyond our control;
- financing may not be available on favorable terms or at all, and our cash flows from operations and access to cost effective capital may be insufficient for the development of our pipeline, which could limit our pursuit of opportunities;
- the impact of new landlord-tenant laws and rent regulations may be greater than we expect;
- our cash flows may be insufficient to meet required payments of principal and interest, and we may be unable to refinance existing indebtedness or the terms of such refinancing may not be as favorable as the terms of existing indebtedness;
- we may be unsuccessful in our management of joint ventures and the REIT vehicles that are used with certain joint ventures;
- laws and regulations implementing rent control or rent stabilization, or otherwise limiting our ability to increase rents, charge fees or evict tenants, may impact our revenue or increase our costs;
- our expectations, estimates and assumptions as of the date of this filing regarding outstanding legal proceedings are subject to change; and
- the possibility that we may choose to pay dividends in our stock instead of cash, which may result in stockholders having to pay taxes with respect to such dividends in excess of the cash received, if any.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, or different assumptions were made, it is possible that different accounting policies would have been applied, resulting in different financial results or a different presentation of our financial statements. Below is a discussion of the accounting policies that we consider critical to an understanding of our financial condition and operating results that may require complex or significant judgment in their application or require estimates about matters which are inherently uncertain. A discussion of our significant accounting policies, including further discussion of the accounting policies described below, can be found in Note 1, “Organization, Basis of Presentation and Significant Accounting Policies,” of our Consolidated Financial Statements.

Cost Capitalization

We capitalize costs during the development of assets. Capitalization begins when we determine that development of a future asset is probable and continues until the asset, or a portion of the asset, is delivered and is ready for its intended use. For redevelopment efforts, we capitalize costs either (i) in advance of taking apartment homes out of service when significant renovation of the common area has begun and continue until the redevelopment is completed, or (ii) when an apartment home is taken out of service for redevelopment and continue until the redevelopment is completed and the apartment home is available for a new resident. Rental income and operating expenses incurred during the initial lease-up or post-redevelopment lease-up period are fully recognized in earnings as they accrue.

During the development and redevelopment efforts we capitalize all direct costs and indirect costs which have been incurred as a result of the development and redevelopment activities. These costs include interest and related loan fees, property taxes as well as other direct and indirect costs. Interest is capitalized for any project-specific financing, as well as for general corporate financing to the extent of our aggregate investment in the projects. Indirect project costs, which include personnel and office and administrative costs that are clearly associated with our development and redevelopment efforts, are also capitalized. Capitalized indirect costs associated with our development and redevelopment activities are comprised primarily of compensation related costs for associates dedicated to our development and redevelopment efforts and total \$46,263,000 and \$45,268,000 for 2021 and 2020, respectively. The estimation of the direct and indirect costs to capitalize as part of our development and redevelopment activities requires judgment and, as such, we believe cost capitalization to be a critical accounting estimate.

There may be a change in our operating expenses in the event that there are changes in accounting guidance governing capitalization or changes to our levels of development or redevelopment activity. If changes in the accounting guidance limit our ability to capitalize costs or if we reduce our development and redevelopment activities without a corresponding decrease in indirect project costs, there may be an increase in our operating expenses.

We capitalize pre-development costs incurred in pursuit of Development Rights. These costs include legal fees, design fees and related overhead costs. Future development of these pursuits is dependent upon various factors, including zoning and regulatory approval, rental market conditions, construction costs and availability of capital. Pre-development costs incurred for pursuits for which future development is not yet considered probable are expensed as incurred. In addition, if the status of a Development Right changes, making future development no longer probable, any capitalized pre-development costs are written off with a charge to expense.

Due to the subjectivity in determining whether a pursuit will result in the development of an apartment community, and therefore should be capitalized, the accounting for pursuit costs is a critical accounting estimate. As of December 31, 2021, capitalized pursuit costs associated with Development Rights totaled \$40,414,000.

Abandoned Pursuit Costs & Asset Impairment

We evaluate our direct and indirect investments in real estate and other long-lived assets for impairment when potential indicators of impairment exist. If events or circumstances indicate that the carrying amount of a property may not be recoverable, we assess its recoverability by comparing the carrying amount of the property to its estimated undiscounted future cash flows. If the carrying amount exceeds the aggregate undiscounted future cash flows, we recognize an impairment loss to the extent the carrying amount exceeds the estimated fair value of the property. We assess land held for development for impairment if our intent changes with respect to the development of the land. We evaluate our unconsolidated investments for impairment, considering both the carrying value of the investment, estimated to be the expected proceeds that it would receive if the entity were dissolved and the net assets were liquidated, as well as our proportionate share of any impairment of assets held by unconsolidated investments.

The assessment of impairment can involve subjectivity in determining if indicators are present and in estimating the future undiscounted cash flows or the fair value of an asset. Estimates of the undiscounted cash flows are sensitive to significant assumptions including future rental revenues, operating expenses, and our intent and ability to hold the related asset, which could be impacted by our expectations about the future.

We expense costs related to abandoned pursuits, which include the abandonment of Development Rights and disposition pursuits. These costs can vary greatly, and the costs incurred in any given period may be significantly different in future years.

Our focus on value creation through real estate development presents an impairment risk in the event of a future deterioration of the real estate and/or capital markets or a decision by us to reduce or cease development. We cannot predict the occurrence of future events that may cause an impairment assessment to be performed, or the likelihood of any future impairment charges, if any. You should also review Item 1A. "Risk Factors" in this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks from our financial instruments primarily from changes in market interest rates. We do not have exposure to any other significant market risk. We monitor interest rate risk as an integral part of our overall risk management, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effect on our results of operations. Our operating results are affected by changes in interest rates, primarily in short-term LIBOR and the SIFMA index as a result of borrowings under our Credit Facility and outstanding bonds and unsecured notes with variable interest rates. In addition, the fair value of our fixed rate unsecured and secured notes are impacted by changes in market interest rates. The effect of interest rate fluctuations on our results of operations historically has been small relative to other factors affecting operating results, such as rental rates and occupancy.

We currently use interest rate protection agreements (consisting of interest rate swap and interest rate cap agreements) for our risk management objectives, as well as for compliance with the requirements of certain lenders, and not for trading or speculative purposes. During 2021, we terminated \$150,000,000 of forward interest rate swap agreements for which hedge accounting was ceased in 2020 and settled \$200,000,000 of forward interest rate swap agreements in conjunction with our September 2021 unsecured note issuance that had been entered into during 2021. During 2021, we entered into an additional \$150,000,000 of forward interest rate swap agreements to reduce the impact of variability in interest rates on a portion of our expected debt issuance activity in 2022.

In addition, we have interest rate caps that serve to effectively limit the amount of interest rate expense we would incur on a floating rate borrowing. Further discussion of the financial instruments impacted and our exposure is presented below.

As of December 31, 2021 and 2020, we had \$714,150,000 and \$720,850,000, respectively, in variable rate debt outstanding, with no amounts outstanding under our Credit Facility. If interest rates on the variable rate debt had been 100 basis points higher throughout 2021 and 2020, our annual interest incurred would have increased by approximately \$7,716,000 and \$8,289,000, respectively, based on balances outstanding during the applicable years.

Because the counterparties providing the interest rate cap and swap agreements are major financial institutions which have an A or better credit rating by the Standard & Poor's Ratings Group, we do not believe there is exposure at this time to a default by a counterparty provider.

In addition, changes in interest rates affect the fair value of our fixed rate debt, computed using quoted market prices for our unsecured notes or a discounted cash flow model for our secured notes, considering our current market yields, which impacts the fair value of our aggregate indebtedness. Debt securities and notes payable (including amounts outstanding under our Credit Facility) with an aggregate principal amount outstanding of \$8,170,431,000 at December 31, 2021 had an estimated aggregate fair value of \$8,565,339,000 at December 31, 2021. Contractual fixed rate debt represented \$7,924,162,000 of the fair value at December 31, 2021. If interest rates had been 100 basis points higher as of December 31, 2021, the fair value of this fixed rate debt would have decreased by approximately \$936,938,000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this Item 8 is included as a separate section of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

- (a) Evaluation of Disclosure Controls and Procedures. As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of the end of the period covered by this report, the Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. We continue to review and document our disclosure controls and procedures, including our internal controls and procedures for financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business.

- (b) Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2021 based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2021.

Our internal control over financial reporting as of December 31, 2021 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included elsewhere herein.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 pertaining to directors and executive officers of the Company and the Company's Code of Conduct is incorporated herein by reference to the Company's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders scheduled to be held on May 19, 2022.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 pertaining to executive compensation is incorporated herein by reference to the Company's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders scheduled to be held on May 19, 2022.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 pertaining to security ownership of management and certain beneficial owners of the Company's common stock is incorporated herein by reference to the Company's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders scheduled to be held on May 19, 2022, to the extent not set forth below.

The Company maintains the Second Amended and Restated 2009 Equity Incentive Plan (the "2009 Plan") and the 1996 Non-Qualified Employee Stock Purchase Plan (the "ESPP"), pursuant to which common stock or other equity awards may be issued or granted to eligible persons.

The following table gives information about equity awards under the 2009 Plan and the ESPP as of December 31, 2021:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	921,402 (2)	\$ 178.71 (3)	6,088,456
Equity compensation plans not approved by security holders (4)	—	N/A	612,912
Total	<u>921,402</u>	<u>\$ 178.71 (3)</u>	<u>6,701,368</u>

(1) Consists of the 2009 Plan.

(2) Includes 53,209 deferred restricted stock units granted under the 2009 Plan, which, subject to vesting requirements, will convert in the future to common stock on a one-for-one basis. Also includes the maximum number of shares that may be issued upon settlement of outstanding Performance Awards awarded to officers and maturing on December 31, 2021, 2022 and 2023. Does not include 231,693 shares of restricted stock that are outstanding and that are already reflected in the Company's outstanding shares.

(3) Excludes performance awards and deferred units granted under the 2009 Plan, which, subject to vesting requirements, will convert in the future to common stock on a one-for-one basis.

(4) Consists of the ESPP.

The ESPP, which was adopted by the Board of Directors on October 29, 1996, has not been approved by our shareholders. A further description of the ESPP appears in Note 9, "Stock-Based Compensation Plans," of the Consolidated Financial Statements set forth in Item 8 of this report.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 pertaining to certain relationships and related transactions is incorporated herein by reference to the Company's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 19, 2022.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 pertaining to the fees paid to and services provided by the Company's principal accountant is incorporated herein by reference to the Company's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K with respect to the Annual Meeting of Stockholders to be held on May 19, 2022. Our independent public accounting firm is Ernst & Young LLP, Tysons, Virginia, PCAOB Auditor ID 42.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

15(a)(1) *Financial Statements*

Index to Financial Statements

Consolidated Financial Statements and Financial Statement Schedule:

Reports of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of December 31, 2021 and 2020	F-4
Consolidated Statements of Comprehensive Income for the years ended December 31, 2021, 2020 and 2019	F-5
Consolidated Statements of Equity for the years ended December 31, 2021, 2020 and 2019	F-6
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019	F-7
Notes to Consolidated Financial Statements	F-10

15(a)(2) *Financial Statement Schedule*

Schedule III—Real Estate and Accumulated Depreciation	F-39
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All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

15(a)(3) *Exhibits*

The exhibits listed on the accompanying Index to Exhibits are filed as a part of this report.

ITEM 16. FORM 10-K SUMMARY

Not Applicable.

INDEX TO EXHIBITS

Exhibit No.	Description
3(i).1	— Articles of Amendment and Restatement of Articles of Incorporation of the Company, dated as of June 4, 1998. (Incorporated by reference to Exhibit 3(i).1 to Form 10-K of the Company filed March 1, 2007.)
3(i).2	— Articles of Amendment, dated as of October 2, 1998. (Incorporated by reference to Exhibit 3(i).2 to Form 10-K of the Company filed March 1, 2007.)
3(i).3	— Articles of Amendment, dated as of May 22, 2013. (Incorporated by reference to Exhibit 3(i).3 to Form 8-K of the Company filed May 22, 2013.)
3(i).4	— Articles of Amendment, dated as of May 14, 2020. (Incorporated by reference to Exhibit 3(i).4 to Form 8-K of the Company filed May 15, 2020.)
3(ii).1	— Amended and Restated Bylaws of the Company, as adopted by the Board of Directors on November 12, 2015, and as further amended on February 16, 2017, November 9, 2017, and May 6, 2019. (Incorporated by reference to Exhibit 3(ii).1 to Form 10-Q of the Company filed August 6, 2019.)
4.1	— Indenture for Senior Debt Securities, dated as of January 16, 1998, between the Company and State Street Bank and Trust Company, as Trustee. (Incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-3 of the Company (File No. 333-139839), filed January 8, 2007.)
4.2	— Amended and Restated Third Supplemental Indenture, dated as of July 10, 2000 between the Company and State Street Bank and Trust Company, as Trustee. (Incorporated by reference to Exhibit 4.4 to Registration Statement on Form S-3 of the Company (File No. 333-139839), filed January 8, 2007.)
4.3	— Fourth Supplemental Indenture, dated as of September 18, 2006, between the Company and U.S. Bank National Association as Trustee. (Incorporated by reference to Exhibit 4.5 to Registration Statement on Form S-3 of the Company (File No. 333-139839), filed January 8, 2007.)
4.4	— Fifth Supplemental Indenture, dated as of November 21, 2014, between the Company and the Bank of New York Mellon, as Trustee. (Incorporated by reference to Exhibit 4.1 to Form 8-K of the Company filed November 21, 2014.)
4.5	— Indenture for Debt Securities, dated as of February 23, 2018, between the Company and The Bank of New York, as Trustee (Incorporated by reference to Exhibit 4.1 to Form 8-K of the Company filed September 15, 2021.)
4.6	— First Supplemental Indenture, dated as March 26, 2018, between the Company and the Bank of New York Mellon, as Trustee, (Incorporated by reference to Exhibit 4.8 to Form 10-Q of the Company filed May 4, 2018.)
4.7	— Second Supplemental Indenture, dated as of May 29, 2018, between the Company and the Bank of New York Mellon, as Trustee, (Incorporated by reference to Exhibit 4.3 to Form 8-K of the Company, filed May 29, 2018.)
4.8	— Dividend Reinvestment and Stock Purchase Plan of the Company. (Incorporated by reference to the prospectus contained in the Registration Statement on Form S-3DPOS of the Company (File No. 333-87063), filed February 23, 2018.)
4.9	— Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934. (Incorporated by reference to Exhibit 4.9 to Form 10-K of the Company filed February 25, 2021.)
4.10	— Form of 2.050% Senior Notes due 2032 (Incorporated by reference to Exhibit 4.4 to Form 8-K of the Company filed September 15, 2021.)
4.11	— Form of 1.900% Senior Notes due 2028 (Incorporated by reference to Exhibit 4.4 to Form 8-K of the Company filed November 18, 2021.)

- 10.1+ — AvalonBay Communities, Inc. Second Amended and Restated 2009 Equity Incentive Plan. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company filed August 4, 2017.)
- 10.2+ — First Amendment to AvalonBay Communities, Inc. Second Amended and Restated 2009 Equity Incentive Plan, dated February 14, 2019. (Incorporated by reference to Exhibit 10.4 to Form 10-K of the Company filed February 22, 2019.)
- 10.3+ — Second Amendment to AvalonBay Communities, Inc. Second Amended and Restated 2009 Equity Incentive Plan, dated March 18, 2020. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company filed May 8, 2020.)
- 10.4+ — Third Amendment to AvalonBay Communities, Inc. Second Amended and Restated 2009 Equity Incentive Plan, dated September 16, 2020. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company filed November 4, 2020.)
- 10.5+ — Form of Stock Grant and Restricted Stock Agreement for use with officers and associates. (Incorporated by reference to Exhibit 10.1 to Form 8-K of the Company filed February 22, 2018.)
- 10.6+ — Form of Incentive Stock Option/Non-Qualified Stock Option Agreement for use with officers and associates. (Incorporated by reference to Exhibit 10.2 to Form 8-K of the Company filed February 22, 2018.)
- 10.7+ — 2018 Amended and Restated Directors Deferred Compensation Program. (Incorporated by reference to Exhibit 10.4 to Form 8-K of the Company filed February 22, 2018.)
- 10.8+ — Form of Director Restricted Stock Agreement. (Incorporated by reference to Exhibit 10.5 to Form 8-K of the Company filed February 22, 2018.)
- 10.9+ — Form of Director Restricted Unit Agreement (deferred stock award). (Incorporated by reference to Exhibit 10.6 of Form 8-K of the Company filed February 22, 2018.)
- 10.10+ — Form of Agreement for Grant of Performance-Based Restricted Stock Units with attached Award Terms (subject to changes in the following: weightings; target, threshold and maximum levels of achievement; and metrics used.) (Incorporated by reference to Exhibit 10.10 to Form 10-K of the Company filed February 22, 2019.)
- 10.11+ — Form of Indemnity Agreement between the Company and its Directors. (Incorporated by reference to Exhibit 10.19 to Form 10-K of the Company filed February 19, 2015.)
- 10.12+ — The Company's Officer Severance Plan, as amended and restated on February 25, 2021. (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company filed May 5, 2021.)
- 10.13 — Fifth Amended and Restated Revolving Loan Agreement, dated as of February 28, 2019, among the Company, as Borrower, Bank of America, N.A., as administrative agent, an issuing bank and a bank, JPMorgan Chase Bank, N.A., as an issuing bank, a bank and as a syndication agent, Wells Fargo Bank, N.A., as an issuing bank, a bank and a syndication agent, Barclays Bank PLC, Deutsche Bank Securities, Inc., Goldman Sachs Bank USA, Morgan Stanley Senior Funding, Inc. and Citibank, N.A. as documentation agents, PNC Bank, National Association and SunTrust Bank as senior managing agents, TD Bank, N.A., Royal Bank of Canada and U.S. Bank National Association as managing agents, Branch Banking and Trust Company and The Bank of Nova Scotia as co-agents, each (or its affiliate) as a bank, and the other bank parties signatory thereto. (Incorporated by reference to Exhibit 1.2 to Form 8-K of the Company filed February 28, 2019.)
- 10.14+ — Amended and Restated AvalonBay Communities, Inc. Deferred Compensation Plan, effective as of January 1, 2011. (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company filed August 6, 2010.)
- 10.15+ — First Amendment to Amended and Restated AvalonBay Communities, Inc. Deferred Compensation Plan, effective as of November 7, 2011. (Incorporated by reference to Exhibit 10.28 to Form 10-K of the Company filed February 24, 2017.)
- 10.16+ — Second Amendment to Amended and Restated AvalonBay Communities, Inc. Deferred Compensation Plan, effective as of November 15, 2012. (Incorporated by reference to Exhibit 10.29 to Form 10-K of the Company filed February 24, 2017.)

- 10.17 — Archstone Residual JV, LLC Limited Liability Company Agreement. (Incorporated by reference to Exhibit 10.3 to Form 8-K of the Company filed March 5, 2013.)
- 10.18 — Archstone Parallel Residual JV, LLC Limited Liability Company Agreement. (Incorporated by reference to Exhibit 10.4 to Form 8-K of the Company filed March 5, 2013.)
- 10.19 — Archstone Parallel Residual JV 2, LLC Limited Liability Company Agreement. (Incorporated by reference to Exhibit 10.5 to Form 8-K of the Company filed March 5, 2013.)
- 10.20 — Legacy Holdings JV, LLC Limited Liability Company Agreement. (Incorporated by reference to Exhibit 10.6 to Form 8-K of the Company filed March 5, 2013.)
- 10.21 — Amended and Restated Term Loan Agreement, dated as of February 28, 2019, among the Company, as Borrower, PNC Bank, National Association, as Administrative Agent and a bank, The Bank of New York Mellon, as a Syndication Agent and a bank, SunTrust Bank, as a Syndication agent and a bank, and a syndicate of other financial institutions, serving as banks. (Incorporated by reference to Exhibit 1.1 to Form 8-K of the Company filed February 28, 2019.)
- 10.22+ — Employment Agreement between the Company and Benjamin W. Schall, dated as of December 4, 2020 (Incorporated by reference to Exhibit 10.1 to Form 8-K of the Company filed December 10, 2020.)
- 10.23+ — Form of Incentive Stock Option/Non-Qualified Stock Option Agreement for use with officers and associates for 2021 Supplemental Awards. (Incorporated by reference to Exhibit 10.3 to Form 10-Q of the Company filed May 5, 2021.)
- 10.24+ — Retirement Agreement by and between AvalonBay Communities, Inc. and William M. McLaughlin, dated December 16, 2021. (Incorporated by reference to Exhibit 1.1 to Form 8-K of the Company filed December 16, 2021.)
- 21.1 — Schedule of Subsidiaries of the Company. (Filed herewith.)
- 23.1 — Consent of Ernst & Young LLP. (Filed herewith.)
- 31.1 — Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer). (Filed herewith.)
- 31.2 — Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer). (Filed herewith.)
- 32 — Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer and Chief Financial Officer). (Furnished herewith.)
- 101 — The following financial materials from AvalonBay Communities, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2021 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Statements of Equity, (iv) the Consolidated Statements of Cash Flows and (v) Notes to the Consolidated Financial Statements. (Filed herewith.)
- 104 — Cover Page Interactive Data File (embedded within the Inline XBRL document). (Filed herewith.)

+ Management contract or compensatory plan or arrangement required to be filed or incorporated by reference as an exhibit to this Form 10-K pursuant to Item 15(a)(3) of Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AvalonBay Communities, Inc.

Date: February 25, 2022 By: /s/ BENJAMIN W. SCHALL
*Benjamin W. Schall, Director, Chief Executive Officer and President
(Principal Executive Officer)*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 25, 2022 By: /s/ TIMOTHY J. NAUGHTON
Timothy J. Naughton, Executive Chairman and Director

Date: February 25, 2022 By: /s/ BENJAMIN W. SCHALL
Benjamin W. Schall, Director, Chief Executive Officer and President
(Principal Executive Officer)

Date: February 25, 2022 By: /s/ KEVIN P. O'SHEA
Kevin P. O'Shea, Chief Financial Officer
(Principal Financial Officer)

Date: February 25, 2022 By: /s/ KERI A. SHEA
Keri A. Shea, Senior Vice President—Finance & Treasurer
(Principal Accounting Officer)

Date: February 25, 2022 By: /s/ GLYN F. AEPPEL
Glyn F. Aepfel, Director

Date: February 25, 2022 By: /s/ TERRY S. BROWN
Terry S. Brown, Director

Date: February 25, 2022 By: /s/ ALAN B. BUCKELEW
Alan B. Buckelew, Director

Date: February 25, 2022 By: /s/ RONALD L. HAVNER, JR.
Ronald L. Havner, Jr., Director

Date: February 25, 2022 By: /s/ STEPHEN P. HILLS
Stephen P. Hills, Director

Date: February 25, 2022 By: /s/ CHRISTOPHER B. HOWARD
Christopher B. Howard, Director

Date: February 25, 2022 By: /s/ RICHARD J. LIEB
Richard J. Lieb, Director

Date: February 25, 2022 By: /s/ NNENNA LYNCH
Nnenna Lynch, Director

Date: February 25, 2022 By: /s/ SUSAN SWANEZY
Susan Swanezy, Director

Date: February 25, 2022 By: /s/ W. EDWARD WALTER
W. Edward Walter, Director

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of AvalonBay Communities, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of AvalonBay Communities, Inc. (the Company) as of December 31, 2021 and 2020, the related consolidated statements of comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 25, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

Valuation of Deferred Development Costs and Land Held for Development

Description of the Matter

As of December 31, 2021, the Company's capitalized deferred development costs and land held for development totaled \$40.4 million and \$147.5 million, respectively. As discussed in Footnote 1 of the consolidated financial statements, the Company capitalizes pre-development costs incurred in pursuit of new development opportunities and project costs for which the Company currently believes future development is probable. Future development is dependent upon various factors, including zoning and regulatory approvals, rental market conditions, construction costs and the availability of capital.

Auditing the valuation of deferred development costs and land held for development involved a high degree of subjectivity as management's assessment of the probability that future development will occur was highly judgmental and subject to the various factors affecting future development discussed above. The Company's assessment of probability of future development included an analysis of the likelihood of factors outside their control that could prevent the development from occurring and factors that could cause the Company to decide not to pursue or complete the development.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process to assess the valuation of deferred development costs and land held for development. For example, we tested controls over the Company's pursuit monitoring process and management's review of the probability assessment related to future development.

Our procedures included, among others, evaluating the Company's determination that the future development is probable. We performed procedures to test the accuracy and completeness of the information included in the Company's analysis by agreeing data to underlying agreements, communications, minutes of management's quarterly development meetings, and third-party evidence, where available. We further assessed the likelihood of the Company's ability to obtain zoning and regulatory approvals for developments by considering, among other things, the Company's prior experience with other development projects and the current status of the future projects for which pursuit or development rights costs were capitalized or land was held for development. We also met with executives who lead the Company's development team to further understand the probability of future development.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Tysons, Virginia
February 25, 2022

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of AvalonBay Communities, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited AvalonBay Communities, Inc.'s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, AvalonBay Communities, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) and our report dated February 25, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting in Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Tysons, Virginia
February 25, 2022

AVALONBAY COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)

	<u>12/31/21</u>	<u>12/31/20</u>
ASSETS		
Real estate:		
Land and improvements	\$ 4,564,723	\$ 4,394,298
Buildings and improvements	18,198,584	17,231,275
Furniture, fixtures and equipment	1,036,640	924,583
	<u>23,799,947</u>	<u>22,550,156</u>
Less accumulated depreciation	(6,208,610)	(5,700,179)
Net operating real estate	<u>17,591,337</u>	<u>16,849,977</u>
Construction in progress, including land	807,101	989,765
Land held for development	147,546	110,142
For-sale condominium inventory	146,535	267,219
Real estate assets held for sale, net	17,065	16,678
Total real estate, net	<u>18,709,584</u>	<u>18,233,781</u>
Cash and cash equivalents	420,251	216,976
Cash in escrow	123,537	96,556
Resident security deposits	33,757	30,811
Investments in unconsolidated real estate entities	216,390	202,612
Deferred development costs	40,414	55,427
Prepaid expenses and other assets	211,484	207,715
Right of use lease assets	146,599	155,266
Total assets	<u>\$ 19,902,016</u>	<u>\$ 19,199,144</u>
LIABILITIES AND EQUITY		
Unsecured notes, net	\$ 7,349,394	\$ 6,702,005
Variable rate unsecured credit facility	—	—
Mortgage notes payable, net	754,153	862,332
Dividends payable	225,392	224,897
Payables for construction	63,722	93,609
Accrued expenses and other liabilities	296,006	274,699
Lease liabilities	166,497	181,479
Accrued interest payable	50,300	49,033
Resident security deposits	59,787	55,928
Liabilities related to real estate assets held for sale	304	311
Total liabilities	<u>8,965,555</u>	<u>8,444,293</u>
Commitments and contingencies		
Redeemable noncontrolling interests	3,368	2,677
Equity:		
Preferred stock, \$0.01 par value; \$25 liquidation preference; 50,000,000 shares authorized at December 31, 2021 and December 31, 2020; zero shares issued and outstanding at December 31, 2021 and December 31, 2020	—	—
Common stock, \$0.01 par value; 280,000,000 shares authorized at December 31, 2021 and December 31, 2020; 139,751,926 and 139,526,671 shares issued and outstanding at December 31, 2021 and December 31, 2020, respectively	1,398	1,395
Additional paid-in capital	10,716,414	10,664,416
Accumulated earnings less dividends	240,821	126,022
Accumulated other comprehensive loss	(26,106)	(40,250)
Total stockholders' equity	<u>10,932,527</u>	<u>10,751,583</u>
Noncontrolling interests	566	591
Total equity	<u>10,933,093</u>	<u>10,752,174</u>
Total liabilities and equity	<u>\$ 19,902,016</u>	<u>\$ 19,199,144</u>

See accompanying notes to Consolidated Financial Statements.

AVALONBAY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands, except per share data)

	For the year ended		
	12/31/21	12/31/20	12/31/19
Revenue:			
Rental and other income	\$ 2,291,766	\$ 2,297,442	\$ 2,319,666
Management, development and other fees	3,084	3,819	4,960
Total revenue	<u>2,294,850</u>	<u>2,301,261</u>	<u>2,324,626</u>
Expenses:			
Operating expenses, excluding property taxes	570,853	549,913	515,145
Property taxes	283,089	273,189	252,961
Expensed transaction, development and other pursuit costs, net of recoveries	3,231	12,399	4,991
Interest expense, net	220,415	214,151	203,585
Loss on extinguishment of debt, net	17,787	9,333	602
Depreciation expense	758,596	707,331	661,578
General and administrative expense	69,611	60,343	58,042
Casualty and impairment loss	3,119	—	—
Total expenses	<u>1,926,701</u>	<u>1,826,659</u>	<u>1,696,904</u>
Income from investments in unconsolidated entities	38,585	6,422	8,652
Gain on sale of communities	602,235	340,444	166,105
Gain on other real estate transactions, net	2,097	440	439
Net for-sale condominium activity	(977)	2,551	(3,812)
Income before income taxes	1,010,089	824,459	799,106
Income tax (expense) benefit	(5,733)	3,247	(13,003)
Net income	1,004,356	827,706	786,103
Net income attributable to noncontrolling interests	(57)	(76)	(129)
Net income attributable to common stockholders	<u>\$ 1,004,299</u>	<u>\$ 827,630</u>	<u>\$ 785,974</u>
Other comprehensive income (loss):			
Gain (loss) on cash flow hedges	993	(17,731)	(11,930)
Cash flow hedge losses reclassified to earnings	13,151	8,984	6,571
Comprehensive income	<u>\$ 1,018,443</u>	<u>\$ 818,883</u>	<u>\$ 780,615</u>
Earnings per common share - basic:			
Net income attributable to common stockholders	<u>\$ 7.19</u>	<u>\$ 5.89</u>	<u>\$ 5.64</u>
Earnings per common share - diluted:			
Net income attributable to common stockholders	<u>\$ 7.19</u>	<u>\$ 5.89</u>	<u>\$ 5.63</u>

See accompanying notes to Consolidated Financial Statements.

AVALONBAY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(Dollars in thousands)

	Shares issued		Preferred stock	Common stock	Additional paid-in capital	Accumulated earnings less dividends	Accumulated other comprehensive loss	Total AvalonBay stockholders' equity	Noncontrolling interests	Total equity
	Preferred stock	Common stock								
Balance at December 31, 2018	—	138,508,424	\$ —	\$ 1,385	\$10,306,588	\$ 350,777	\$ (26,144)	\$ 10,632,606	\$ —	\$ 10,632,606
Net income attributable to common stockholders	—	—	—	—	—	785,974	—	785,974	—	785,974
Loss on cash flow hedges, net	—	—	—	—	—	—	(11,930)	(11,930)	—	(11,930)
Cash flow hedge losses reclassified to earnings	—	—	—	—	—	—	6,571	6,571	—	6,571
Change in redemption value and acquisition of noncontrolling interest	—	—	—	—	—	(373)	—	(373)	—	(373)
Noncontrolling interests income allocation	—	—	—	—	—	—	—	—	649	649
Dividends declared to common stockholders (\$6.08 per share)	—	—	—	—	—	(851,287)	—	(851,287)	—	(851,287)
Issuance of common stock, net of withholdings	—	2,135,538	—	21	395,275	(2,178)	—	393,118	—	393,118
Amortization of deferred compensation	—	—	—	—	34,870	—	—	34,870	—	34,870
Balance at December 31, 2019	—	140,643,962	—	1,406	10,736,733	282,913	(31,503)	10,989,549	649	10,990,198
Net income attributable to common stockholders	—	—	—	—	—	827,630	—	827,630	—	827,630
Loss on cash flow hedges, net	—	—	—	—	—	—	(17,731)	(17,731)	—	(17,731)
Cash flow hedge losses reclassified to earnings	—	—	—	—	—	—	8,984	8,984	—	8,984
Change in redemption value of noncontrolling interest	—	—	—	—	—	210	—	210	—	210
Noncontrolling interests income distribution and income allocation	—	—	—	—	—	—	—	—	(58)	(58)
Dividends declared to common stockholders (\$6.36 per share)	—	—	—	—	—	(893,152)	—	(893,152)	—	(893,152)
Issuance of common stock, net of withholdings	—	108,499	—	1	(9,571)	(1,427)	—	(10,997)	—	(10,997)
Repurchase of common stock, including repurchase costs	—	(1,225,790)	—	(12)	(93,712)	(90,152)	—	(183,876)	—	(183,876)
Amortization of deferred compensation	—	—	—	—	30,966	—	—	30,966	—	30,966
Balance at December 31, 2020	—	139,526,671	—	1,395	10,664,416	126,022	(40,250)	10,751,583	591	10,752,174
Net income attributable to common stockholders	—	—	—	—	—	1,004,299	—	1,004,299	—	1,004,299
Gain on cash flow hedges, net	—	—	—	—	—	—	993	993	—	993
Cash flow hedge losses reclassified to earnings	—	—	—	—	—	—	13,151	13,151	—	13,151
Change in redemption value of noncontrolling interest	—	—	—	—	—	(1,022)	—	(1,022)	—	(1,022)
Noncontrolling interest distribution and income allocation	—	—	—	—	—	—	—	—	(25)	(25)
Dividends declared to common stockholders (\$6.36 per share)	—	—	—	—	—	(889,405)	—	(889,405)	—	(889,405)
Issuance of common stock, net of withholdings	—	225,255	—	3	18,047	927	—	18,977	—	18,977
Amortization of deferred compensation	—	—	—	—	33,951	—	—	33,951	—	33,951
Balance at December 31, 2021	—	139,751,926	\$ —	\$ 1,398	\$10,716,414	\$ 240,821	\$ (26,106)	\$ 10,932,527	\$ 566	\$ 10,933,093

See accompanying notes to Consolidated Financial Statements.

AVALONBAY COMMUNITIES, INC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	For the year ended		
	12/31/21	12/31/20	12/31/19
Cash flows from operating activities:			
Net income	\$ 1,004,356	\$ 827,706	\$ 786,103
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	758,596	707,331	661,578
Amortization of deferred financing costs	7,462	7,454	7,346
Amortization of debt discount	2,681	1,880	1,591
Loss on extinguishment of debt, net	17,787	9,333	602
Amortization of stock-based compensation	25,505	21,603	25,621
Equity (income) in loss of, and return on, unconsolidated entities and noncontrolling interests, net of eliminations	(108)	8,673	12,278
Real estate casualty loss	1,723	—	—
Abandonment of development pursuits	685	9,262	2,943
Unrealized gain on terminated cash flow hedges	(2,654)	(2,894)	—
Cash flow hedge losses reclassified to earnings	7,887	8,984	6,571
Gain on sale of real estate assets	(627,637)	(346,041)	(172,332)
Gain on for-sale condominiums	(3,110)	(8,213)	—
Increase (decrease) in resident security deposits, prepaid expenses and other assets	5,505	(28,675)	(19,118)
Increase in accrued expenses, other liabilities and accrued interest payable	4,492	3,212	8,621
Net cash provided by operating activities	<u>1,203,170</u>	<u>1,219,615</u>	<u>1,321,804</u>
Cash flows from investing activities:			
Development/redevelopment of real estate assets including land acquisitions and deferred development costs	(654,861)	(843,907)	(1,052,011)
Acquisition of real estate assets, including partnership interest	(771,692)	—	(420,517)
Capital expenditures - existing real estate assets	(142,688)	(108,531)	(135,626)
Capital expenditures - non-real estate assets	(10,547)	(28,505)	(5,266)
(Decrease) increase in payables for construction	(29,887)	1,474	(4,848)
Proceeds from sale of real estate, net of selling costs	850,230	619,773	422,041
Proceeds from the sale of for-sale condominiums, net of selling costs	124,532	202,033	—
Mortgage note receivable lending	(1,210)	(258)	(692)
Mortgage note receivable payments	2,435	3,419	2,779
Distributions from unconsolidated entities	63,171	11,157	10,454
Investments in unconsolidated entities	(53,536)	(36,088)	(10,183)
Net cash used in investing activities	<u>(624,053)</u>	<u>(179,433)</u>	<u>(1,193,869)</u>
Cash flows from financing activities:			
Issuance of common stock, net	31,874	3,464	409,725
Repurchase of common stock, net	—	(183,876)	—
Dividends paid	(888,344)	(883,212)	(839,646)
Issuance of mortgage notes payable	—	51,000	30,250
Repayments of mortgage notes payable, including prepayment penalties	(109,562)	(126,712)	(227,570)
Issuance of unsecured notes	1,098,643	1,296,581	449,804
Repayment of unsecured notes, including prepayment penalties	(462,147)	(958,680)	—
Payment of deferred financing costs	(8,864)	(11,277)	(10,909)
Receipt (payment) for termination of forward interest rate swaps	4,751	(25,135)	(12,309)
Payment to noncontrolling interest	(55)	(68)	456
Payments related to tax withholding for share-based compensation	(13,463)	(14,917)	(16,101)
Distributions to DownREIT partnership unitholders	(48)	(48)	(46)
Distributions to joint venture and profit-sharing partners	(306)	(384)	(439)
Preferred interest obligation redemption and dividends	(1,340)	(1,000)	(1,400)
Net cash used in financing activities	<u>(348,861)</u>	<u>(854,264)</u>	<u>(218,185)</u>
Net increase (decrease) in cash, cash equivalents and cash in escrow	230,256	185,918	(90,250)
Cash and cash equivalents and restricted cash, beginning of year	313,532	127,614	217,864
Cash and cash equivalents and restricted cash, end of year	<u>\$ 543,788</u>	<u>\$ 313,532</u>	<u>\$ 127,614</u>
Cash paid during the year for interest, net of amount capitalized	<u>\$ 203,773</u>	<u>\$ 196,848</u>	<u>\$ 187,570</u>

See accompanying notes to Consolidated Financial Statements.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported with the Consolidated Statements of Cash Flows (dollars in thousands):

	For the year ended		
	12/31/21	12/31/20	12/31/19
Cash and cash equivalents	\$ 420,251	\$ 216,976	\$ 39,687
Cash in escrow	123,537	96,556	87,927
Cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows	<u>\$ 543,788</u>	<u>\$ 313,532</u>	<u>\$ 127,614</u>

Supplemental disclosures of non-cash investing and financing activities:

During the year ended December 31, 2021:

- As described in Note 4, “Equity,” the Company issued 155,836 shares of common stock as part of the Company's stock-based compensation plans, of which 56,545 shares related to the conversion of performance awards to restricted shares of common stock, and the remaining 99,291 shares valued at \$17,757,000 were issued in connection with new stock grants; 2,844 shares valued at \$566,000 were issued through the Company’s dividend reinvestment plan; 75,780 shares valued at \$13,463,000 were withheld to satisfy employees’ tax withholding and other liabilities; and 4,109 restricted shares with an aggregate value of \$804,000 previously issued in connection with employee compensation were canceled upon forfeiture.
- Common stock dividends declared but not paid totaled \$224,012,000.
- The Company recorded an increase of \$1,022,000 in redeemable noncontrolling interest with a corresponding decrease to accumulated earnings less dividends to adjust the redemption value associated with the put options held by joint venture partners and DownREIT partnership units.
- The Company recorded (i) an increase to prepaid expenses and other assets of \$3,204,000, and a corresponding adjustment to accumulated other comprehensive loss and (ii) reclassified \$7,887,000 and \$5,264,000 of cash flow hedge losses from other comprehensive income (loss) to interest expense, net, and loss on extinguishment of debt, net, respectively, to record the impact of the Company's derivative and hedge accounting activity.

During the year ended December 31, 2020:

- The Company issued 165,545 shares of common stock as part of the Company's stock based compensation plans, of which 96,317 shares related to the conversion of performance awards to restricted shares of common stock, and the remaining 69,228 shares valued at \$15,305,000 were issued in connection with new stock grants; 2,747 shares valued at \$458,000 were issued through the Company’s dividend reinvestment plan; 74,173 shares valued at \$14,919,000 were withheld to satisfy employees’ tax withholding and other liabilities; and 7,683 restricted shares with an aggregate value of \$1,240,000 previously issued in connection with employee compensation were canceled upon forfeiture.
- Common stock dividends declared but not paid totaled \$223,262,000.
- The Company recorded a decrease of \$210,000 in redeemable noncontrolling interest with a corresponding increase to accumulated earnings less dividends to adjust the redemption value associated with the put options held by joint venture partners and DownREIT partnership units.
- The Company recorded (i) an increase in prepaid expenses and other assets of \$4,308,000 and recorded an increase of \$1,413,000 to other comprehensive income and (ii) reclassified \$8,984,000 of cash flow hedge losses from other comprehensive income to interest expense, net, to record the impact of the Company’s derivative and hedge accounting activity.
- The Company recorded \$46,875,000 of lease liabilities and offsetting right of use lease assets related to the execution of two new office leases.

During the year ended December 31, 2019:

- The Company issued 152,502 shares of common stock as part of the Company's stock based compensation plans, of which 73,072 shares related to the conversion of performance awards to restricted shares of common stock, and the remaining 79,430 shares valued at \$15,603,000 were issued in connection with new stock grants; 1,838 shares valued at \$205,000 were issued in conjunction with the conversion of deferred stock awards; 2,069 shares valued at \$418,000 were issued through the Company's dividend reinvestment plan; 84,710 shares valued at \$16,101,000 were withheld to satisfy employees' tax withholding and other liabilities; and 2,361 restricted shares with an aggregate value of \$399,000 previously issued in connection with employee compensation were canceled upon forfeiture.
- Common stock dividends declared but not paid totaled \$214,832,000.
- The Company recorded an increase of \$373,000 in redeemable noncontrolling interest with a corresponding decrease to accumulated earnings less dividends to adjust the redemption value associated with the put options held by joint venture partners and DownREIT partnership units.
- The Company recorded (i) an increase in other liabilities of \$6,379,000 and an increase in prepaid expenses and other assets of \$388,000 and a corresponding adjustment to other comprehensive income and (ii) reclassified \$6,571,000 of cash flow hedge losses from other comprehensive income to interest expense, net, to record the impact of the Company's derivative and hedge accounting activity.
- The Company recorded \$122,276,000 of lease liabilities and offsetting right of use lease assets for its ground and office leases, upon the adoption of ASU 2016-02, Leases, as of January 1, 2019.

See accompanying notes to Consolidated Financial Statements.

AVALONBAY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, Basis of Presentation and Significant Accounting Policies

Organization and Basis of Presentation

AvalonBay Communities, Inc. (the “Company,” which term, unless the context otherwise requires, refers to AvalonBay Communities, Inc. together with its subsidiaries), is a Maryland corporation that has elected to be treated as a real estate investment trust (“REIT”) for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). The Company focuses on the development, redevelopment, acquisition, ownership and operation of multifamily communities in New England, the New York/New Jersey metro area, the Mid-Atlantic, the Pacific Northwest, and Northern and Southern California, as well as in the Company's expansion markets of Raleigh-Durham and Charlotte, North Carolina, Southeast Florida, Dallas and Austin, Texas, and Denver, Colorado.

At December 31, 2021, the Company owned or held a direct or indirect ownership interest in 278 operating apartment communities containing 81,803 apartment homes in 12 states and the District of Columbia. In addition, the Company owned or held a direct or indirect ownership interest in 19 communities under development that are expected to contain an aggregate of 6,189 apartment homes (unaudited) when completed, as well as The Park Loggia, which contains 172 for-sale residential condominiums, of which 123 have been sold as of December 31, 2021, and 66,000 square feet of commercial space, of which 87% has been leased as of December 31, 2021. The Company also owned or held a direct or indirect ownership interest in land or rights to land on which the Company expects to develop an additional 24 communities that, if developed as expected, will contain an estimated 8,070 apartment homes (unaudited).

Capitalized terms used without definition have meanings provided elsewhere in this Form 10-K.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, certain joint venture partnerships, subsidiary partnerships structured as DownREITs and any variable interest entities that qualify for consolidation. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company accounts for joint venture entities and subsidiary partnerships in accordance with the consolidation guidance. The Company evaluates the partnership of each joint venture entity and determines first whether to follow the variable interest entity (“VIE”) or the voting interest entity (“VOE”) model. Once the appropriate consolidation model is identified, the Company then evaluates whether it should consolidate the venture. Under the VIE model, the Company consolidates an investment when it has control to direct the activities of the venture and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The Company's maximum exposure for its VIEs is limited to its investments in the respective VIEs. Under the VOE model, the Company consolidates an investment when (i) it controls the investment through ownership of a majority voting interest if the investment is not a limited partnership or (ii) it controls the investment through its ability to remove the other partners in the investment, at its discretion, when the investment is a limited partnership.

The Company generally uses the equity method of accounting for its investment in joint ventures, including when the Company holds a noncontrolling limited partner interest in a joint venture. Any investment in excess of the Company's cost basis at acquisition or formation of an equity method venture, will be recorded as a component of the Company's investment in the joint venture and recognized over the life of the underlying fixed assets of the venture as a reduction to its equity in income from the venture. Investments in which the Company has little or no influence are accounted for using the measurement alternative with the carrying amount of the investment adjusted to fair value when there is an observable transaction indicating a change in fair value.

Real Estate

Operating real estate assets are stated at cost and consist of land and improvements, buildings and improvements, furniture, fixtures and equipment, and other costs incurred during their development, redevelopment and acquisition. Significant expenditures which improve or extend the life of an existing asset and that will benefit the Company for periods greater than a year, are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Project costs related to the development, construction and redevelopment of real estate projects (including interest and related loan fees, property taxes and other direct costs) are capitalized as a cost of the project. Indirect project costs that relate to several projects are capitalized and allocated to the projects to which they relate. Indirect costs not clearly related to development, construction and redevelopment activity are expensed as incurred. For development, capitalization (i) begins when the Company has determined that development of the future asset is probable, (ii) can be suspended if there is no current development activity underway, but future development is still probable and (iii) ends when the asset, or a portion of an asset, is delivered and is ready for its intended use, or the Company's intended use changes such that capitalization is no longer appropriate.

For land parcels improved with operating real estate, for which the Company intends to pursue development, the Company generally manages the current improvements until such time as all tenant obligations have been satisfied or eliminated through negotiation, and construction of new apartment communities is ready to begin. Revenue from incidental operations received from the current improvements on land parcels in excess of any incremental costs are recorded as a reduction of total capitalized costs of the respective Development Right and not as part of net income. Incidental operating costs in excess of incidental operating income are expensed in the period incurred.

For redevelopment efforts, the Company capitalizes costs either (i) in advance of taking homes out of service when significant renovation of the common area has begun until the redevelopment is completed, or (ii) when an apartment home is taken out of service for redevelopment until the redevelopment is completed and the apartment home is available for a new resident. Rental income and operating costs incurred during the initial lease-up or post-redevelopment lease-up period are recognized in earnings as incurred.

The Company assesses acquisitions of operating communities to determine if it meets the definition of a business or if it qualifies as an asset acquisition. The Company generally views acquisitions of individual operating communities as asset acquisitions, which results in the capitalization of acquisition costs and the allocation of purchase price to the assets acquired and liabilities assumed, based on the relative fair value of the respective assets and liabilities.

The purchase price allocation to tangible assets is reflected in real estate assets and depreciated over their estimated useful lives. Any purchase price allocation to intangible assets, other than in-place lease intangibles, is included in prepaid expenses and other assets on the accompanying Consolidated Balance Sheets and amortized over the term of the acquired intangible asset. The Company values land based on a market approach, looking to recent sales of similar properties, adjusting for differences due to location, the state of entitlement as well as the shape and size of the parcel. Improvements to land are valued using a replacement cost approach and consider the structures and amenities included for the communities and is reduced by estimated depreciation. The value for furniture, fixtures and equipment is also determined based on a replacement cost approach, considering costs for both items in the apartment homes as well as common areas and is adjusted for estimated depreciation. The fair value of buildings is estimated using the replacement cost approach, assuming the buildings were vacant at acquisition. The replacement cost approach considers the composition of structures acquired, adjusted for depreciation which considers industry standard information and estimated useful life of the acquired property. The value of the lease-related intangibles considers the estimated cost of leasing the apartment homes as if the acquired building(s) were vacant, as well as the value of the current leases relative to market-rate leases. The in-place lease value is determined using an average total lease-up time, the number of apartment homes and net revenues generated during the lease-up time. Net revenues use market rent considering actual leasing and industry rental rate data. The value of current leases relative to a market-rate lease is based on market comparables. Given the heterogeneous nature of multifamily real estate, the fair values for the land, debt, real estate assets and in-place leases incorporate significant unobservable inputs and therefore are considered to be Level 3 prices within the fair value hierarchy. Consideration for acquisitions is typically in the form of cash unless otherwise disclosed.

Depreciation is generally calculated on a straight-line basis over the estimated useful lives of the assets, which for buildings and related improvements range from seven years to 30 years and for furniture, fixtures and equipment range from three years to seven years.

For-Sale Condominium Inventory

The Company presents for-sale condominium inventory at historical cost and evaluates the condominiums for impairment when potential indicators exist, as further discussed under "Casualty and Impairment of Long-Lived Assets" below.

Income Taxes

The Company elected to be treated as a REIT for federal income tax purposes for its tax year ended December 31, 1994 and has not revoked such election. A REIT is a corporate entity which holds real estate interests and can deduct from its federally taxable income qualifying dividends it pays if it meets a number of organizational and operational requirements, including a requirement that it distribute at least 90% of its adjusted taxable income to stockholders. Therefore, as a REIT, the Company generally will not be subject to corporate level federal income tax on its taxable income if it annually distributes 100% of its taxable income to its stockholders.

The states in which the Company operates have similar tax provisions which recognize the Company as a REIT for state income tax purposes. Management believes that all such conditions for the exemption from income taxes on ordinary income have been or will be met for the periods presented. Accordingly, no provision for federal and state income taxes has been made. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal corporate income taxes at regular corporate rates and may not be able to qualify as a corporate REIT for four subsequent taxable years. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed taxable income and in certain other instances.

The Company did not incur any charges or receive refunds of excise taxes related to the years ended December 31, 2021, 2020 and 2019.

Taxable income from activities performed through taxable REIT subsidiaries ("TRS") is subject to federal, state and local income taxes. The Company recognized income tax expense of \$5,733,000 and \$13,003,000 in 2021 and 2019, respectively, and recorded an income tax benefit of \$3,247,000 in 2020 related to its activities through its TRSs. The income tax expense in 2021 and 2019 was primarily due to the disposition of the Company's for-sale condominiums and two wholly-owned operating communities. During 2020, the income tax expense was offset by net operating loss carryback provisions under the Coronavirus Aid, Relief and Economic Security Act. As of December 31, 2021 and 2020, the Company did not have any unrecognized tax benefits. The Company does not believe that there will be any material changes in its unrecognized tax positions over the next 12 months. The Company is subject to examination by the respective taxing authorities for the tax years 2018 through 2020.

The following summarizes the tax components of the Company's common dividends declared for the years ended December 31, 2021, 2020 and 2019 (unaudited):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Ordinary income	55 %	66 %	96 %
20% capital gain	26 %	24 %	3 %
Unrecaptured §1250 gain	19 %	10 %	1 %

Deferred Financing Costs

Deferred financing costs include fees and other expenditures necessary to obtain debt financing and are amortized on a straight-line basis, which approximates the effective interest method, over the shorter of the term of the loan or the related credit enhancement facility, if applicable. Unamortized financing costs are charged to earnings when debt is retired before the maturity date. Accumulated amortization of deferred financing costs related to unsecured notes was \$23,705,000 and \$25,239,000 as of December 31, 2021 and 2020, respectively, and related to mortgage notes payable was \$2,300,000 and \$2,046,000 as of December 31, 2021 and 2020, respectively. Deferred financing costs, except for costs associated with line-of-credit arrangements, are presented as a direct deduction from the related debt liability. Accumulated amortization of deferred financing costs related to the Company's Credit Facility was \$15,187,000 and \$13,501,000 as of December 31, 2021 and 2020, respectively, and was included in prepaid expenses and other assets on the accompanying Consolidated Balance Sheets.

Cash, Cash Equivalents and Cash in Escrow

Cash and cash equivalents include all cash and liquid investments with an original maturity of three months or less from the date acquired. Cash in escrow includes principal reserve funds that are restricted for the repayment of specified secured financing. The majority of the Company's cash, cash equivalents and cash in escrow are held at major commercial banks.

Interest Rate Contracts

The Company utilizes derivative financial instruments to manage interest rate risk. See Note 11, "Fair Value," for further discussion of derivative financial instruments.

Comprehensive Income

Comprehensive income, as reflected on the Consolidated Statements of Comprehensive Income, is defined as all changes in equity during each period except for those resulting from investments by or distributions to shareholders. Accumulated other comprehensive loss, as reflected on the Consolidated Statements of Equity, reflects the effective portion of the cumulative changes in the fair value of derivatives in qualifying cash flow hedge relationships.

Earnings per Common Share

Basic earnings per share is computed by dividing net income attributable to common stockholders by the weighted average number of shares outstanding during the period. All outstanding unvested restricted share awards contain rights to non-forfeitable dividends and participate in undistributed earnings with common shareholders and, accordingly, are considered participating securities that are included in the two-class method of computing basic earnings per share ("EPS"). Both the unvested restricted shares and other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis. The Company's earnings per common share are determined as follows (dollars in thousands, except per share data):

	For the year ended		
	12/31/21	12/31/20	12/31/19
Basic and diluted shares outstanding			
Weighted average common shares—basic	139,389,433	140,094,722	139,054,191
Weighted average DownREIT units outstanding	7,500	7,500	7,500
Effect of dilutive securities	320,466	332,973	509,859
Weighted average common shares—diluted	<u>139,717,399</u>	<u>140,435,195</u>	<u>139,571,550</u>
Calculation of Earnings per Share—basic			
Net income attributable to common stockholders	\$ 1,004,299	\$ 827,630	\$ 785,974
Net income allocated to unvested restricted shares	(2,100)	(1,955)	(2,063)
Net income attributable to common stockholders, adjusted	<u>\$ 1,002,199</u>	<u>\$ 825,675</u>	<u>\$ 783,911</u>
Weighted average common shares—basic	<u>139,389,433</u>	<u>140,094,722</u>	<u>139,054,191</u>
Earnings per common share—basic	<u>\$ 7.19</u>	<u>\$ 5.89</u>	<u>\$ 5.64</u>
Calculation of Earnings per Share—diluted			
Net income attributable to common stockholders	\$ 1,004,299	\$ 827,630	\$ 785,974
Add: noncontrolling interests of DownREIT unitholders in consolidated partnerships, including discontinued operations	48	48	46
Adjusted net income attributable to common stockholders	<u>\$ 1,004,347</u>	<u>\$ 827,678</u>	<u>\$ 786,020</u>
Weighted average common shares—diluted	<u>139,717,399</u>	<u>140,435,195</u>	<u>139,571,550</u>
Earnings per common share—diluted	<u>\$ 7.19</u>	<u>\$ 5.89</u>	<u>\$ 5.63</u>

All options to purchase shares of common stock outstanding as of December 31, 2021, 2020 and 2019 are included in the computation of diluted earnings per share.

Expensed Transaction, Development and Other Pursuit Costs

The Company capitalizes pre-development costs incurred in pursuit of new development opportunities for which the Company currently believes future development is probable (“Development Rights”). Future development of these Development Rights is dependent upon various factors, including zoning and regulatory approval, rental market conditions, construction costs and the availability of capital. Initial pre-development costs incurred for pursuits for which future development is not yet considered probable are expensed as incurred. In addition, if the status of a Development Right changes, making future development by the Company no longer probable, any non-recoverable capitalized pre-development costs are expensed. The Company expensed costs related to development pursuits not yet considered probable for development and the abandonment of Development Rights, as well as costs incurred in pursuing the acquisition or disposition of assets for which such acquisition and disposition activity did not occur, in the amounts of \$2,192,000, \$12,317,000 and \$4,896,000 during the years ended December 31, 2021, 2020 and 2019, respectively. These costs are included in expensed transaction, development and other pursuit costs, net of recoveries on the accompanying Consolidated Statements of Comprehensive Income. The amount for 2020 includes the write-off of \$7,264,000 related to a Development Right in New York City that the Company deemed no longer probable. Abandoned pursuit costs can vary greatly, and the costs incurred in any given period may be significantly different in future periods.

Casualty and Impairment of Long-Lived Assets

In the Company's evaluation of its real estate portfolio for impairment, as discussed below, it considered the impact of the COVID-19 pandemic and did not identify any indicators of impairment as a result.

The Company evaluates its real estate and other long-lived assets for impairment when potential indicators of impairment exist. Such assets are stated at cost, less accumulated depreciation and amortization, unless the carrying amount of the asset is not recoverable. If events or circumstances indicate that the carrying amount of a property or long-lived asset may not be recoverable, the Company assesses its recoverability by comparing the carrying amount of the property or long-lived asset to its estimated undiscounted future cash flows. If the carrying amount exceeds the aggregate undiscounted future cash flows, the Company recognizes an impairment loss to the extent the carrying amount exceeds the estimated fair value of the property or long-lived asset. Based on periodic tests of recoverability of long-lived assets, for the years ended December 31, 2021, 2020 and 2019, the Company did not recognize any impairment losses other than those related to casualty losses from property damage. During the year ended December 31, 2021, the Company recognized a charge of \$3,119,000 for the property and casualty damages across several communities in its East Coast markets related to severe storms as well as the property and casualty damages resulting from a fire at an operating community, reported as casualty and impairment loss on the accompanying Consolidated Statements of Comprehensive Income.

The Company evaluates its for-sale condominium inventory for potential indicators of impairment, considering whether the fair value of the individual for-sale condominium units exceeds the carrying value of those units. For-sale condominium inventory is stated at cost, unless the carrying amount of the inventory is not recoverable when compared to the fair value of each unit. The Company determines the fair value of its for-sale condominium inventory as the estimated sales price less direct costs to sell. For the years ended December 31, 2021, 2020 and 2019, the Company did not recognize any impairment losses on its for-sale condominium inventory.

The Company assesses its portfolio of land held for both development and investment for impairment if the intent of the Company changes with respect to either the development of, or the expected holding period for, the land. During the years ended December 31, 2021, 2020 and 2019, the Company did not recognize any impairment charges on its investment in land.

The Company evaluates its unconsolidated investments for other than temporary impairment, considering both the extent and amount by which the carrying value of the investment exceeds the fair value, and the Company's intent and ability to hold the investment to recover its carrying value. The Company also evaluates its proportionate share of any impairment of assets held by unconsolidated investments. There were no other than temporary impairment losses recognized for any of the Company's investments in unconsolidated real estate entities during the years ended December 31, 2021, 2020 or 2019.

Assets Held for Sale and Discontinued Operations

The Company presents the assets and liabilities of any communities which have been sold, or otherwise qualify as held for sale, separately in the accompanying Consolidated Balance Sheets. In addition, the results of operations for those assets that meet the definition of discontinued operations are presented as such in the accompanying Consolidated Statements of Comprehensive Income. Real estate assets held for sale are measured at the lower of the carrying amount or the fair value less the cost to sell. Upon the classification of an asset as held for sale, no further depreciation is recorded. Disposals representing a strategic shift in operations (e.g., a disposal of a major geographic area, a major line of business or a major equity method investment) will be presented as discontinued operations, and for those assets qualifying for classification as discontinued operations, the specific components of net income presented as discontinued operations include net operating income, depreciation expense and interest expense, net. For periods prior to the asset qualifying for discontinued operations, the Company reclassifies the results of operations to discontinued operations. In addition, the net gain or loss (including any impairment loss) on the eventual disposal of assets held for sale will be presented as discontinued operations when recognized. A change in presentation for held for sale or discontinued operations has no impact on the Company's financial condition or results of operations. The Company combines the operating, investing and financing portions of cash flows attributable to discontinued operations with the respective cash flows from continuing operations on the accompanying Consolidated Statements of Cash Flows. The Company had one wholly-owned operating community that qualified as held for sale presentation at December 31, 2021.

Derivative Instruments and Hedging Activities

The Company enters into interest rate swap and interest rate cap agreements (collectively, "Hedging Derivatives") for interest rate risk management purposes and in conjunction with certain variable rate secured debt to satisfy lender requirements. The Company does not enter into Hedging Derivative transactions for trading or other speculative purposes. The Company assesses the effectiveness of qualifying cash flow and fair value hedges, both at inception and on an on-going basis. Hedge ineffectiveness is reported as a component of interest expense, net. The fair values of Hedging Derivatives that are in an asset position are recorded in prepaid expenses and other assets. The fair value of Hedging Derivatives that are in a liability position are included in accrued expenses and other liabilities. The Company does not present or disclose the fair value of Hedging Derivatives on a net basis. Fair value changes for derivatives that are not in qualifying hedge relationships are reported as a component of interest expense, net. For the Hedging Derivative positions that the Company has determined qualify as effective cash flow hedges, the Company has recorded the cumulative changes in the fair value of Hedging Derivatives in accumulated other comprehensive loss. Amounts recorded in accumulated other comprehensive loss will be reclassified into earnings in the periods in which earnings are affected by the hedged cash flow. The effective portion of the change in fair value of the Hedging Derivatives that the Company has determined qualified as effective fair value hedges is reported as an adjustment to the carrying amount of the corresponding debt being hedged. See Note 11, "Fair Value," for further discussion of derivative financial instruments.

Acquisitions of Investments in Real Estate

The Company accounts for acquisitions of investments in real estate in accordance with the authoritative guidance for the initial measurement, which first requires that the Company determine if the real estate investment is the acquisition of an asset or a business combination. Under either model, the Company must identify and determine the fair value of any assets acquired, liabilities assumed and any noncontrolling interest in the acquiree. Typical assets acquired and liabilities assumed include land, building, furniture, fixtures and equipment, debt and identified intangible assets and liabilities, consisting of the value of above or below market leases and in-place leases. In making estimates of fair values for purposes of allocating purchase price, the Company utilizes various sources, including its own analysis of recently acquired and existing comparable properties in its portfolio and other market data. Consideration for acquisitions is typically in the form of cash unless otherwise disclosed. For a business combination, the Company records the assets acquired and liabilities assumed based on the fair value of each respective item. For an asset acquisition, the allocation of the purchase price is based on the relative fair value of the net assets. The Company expenses all applicable acquisition costs for a business combination and capitalizes all applicable acquisition costs for an asset acquisition. The Company expects that acquisitions of individual operating communities will generally be viewed as asset acquisitions.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to amounts in prior years' notes to financial statements to conform to current year presentations as a result of changes in held for sale classification, disposition activity and segment classification.

Leases

The Company is party to leases as both a lessor and a lessee, primarily as follows:

- lessor of residential and commercial space within its apartment communities; and
- lessee under (i) ground leases for land underlying current operating or development communities and certain commercial and parking facilities and (ii) office leases for its corporate headquarters and regional offices.

Lessee Considerations

The Company assesses whether a contract is or contains a lease based on whether the contract conveys the right to control the use of an identified asset, including specified portions of larger assets, for a period of time in exchange for consideration. The Company's leases include both fixed and variable lease payments, which are based on an index or rate such as the consumer price index (CPI) or percentage rents based on total sales. Lease payments included in the lease liability include only fixed lease payments including fixed amounts that depend on an index or rate. For leases that have options to extend the term or terminate the lease early, the Company only factored the impact of such options into the lease term if the option was considered reasonably certain to be exercised. The Company determined the discount rate associated with its ground and office leases on a lease by lease basis using the Company's actual borrowing rates as well as indicative market pricing for longer term rates and taking into consideration the remaining term of each of the lease agreements.

Lessor Considerations

The Company evaluates leases in which it is the lessor, which are composed of residential and commercial leases at its apartment communities, and determined these leases to be operating leases. For lease agreements that provide for rent concessions and/or scheduled fixed and determinable rent increases, rental income is recognized on a straight-line basis over the noncancellable term of the lease, which, for residential leases, is generally one year. Some of the Company's commercial leases have fixed-price renewal options, and the lessee may be able to exercise its renewal option at an amount less than the fair value of the rent at such time. The Company only includes renewal options in the lease term if, at the commencement of the lease, it is reasonably certain that the lessee will exercise this option.

Additionally, for the Company's residential and commercial leases, which are comprised of the lease component and common area maintenance as a non-lease component, the Company determined that (i) the leases are operating leases, (ii) the lease component is the predominant component and (iii) all components of its operating leases share the same timing and pattern of transfer.

Revenue and Gain Recognition

Under ASC 606, Revenue from Contracts with Customers, the Company recognizes revenue in accordance with the transfer of goods and services to customers at an amount that reflects the consideration that the Company expects to be entitled to for those goods and services. The majority of the Company's revenue is derived from residential and commercial rental income and other lease income, which are accounted for under ASC 842, Leases, as discussed above under "Leases". The Company's revenue streams that are not accounted for under ASC 842 include:

- Management fees - The Company has investment interests in real estate joint ventures, for which the Company may manage (i) the venture, (ii) the associated operating communities owned by the ventures and/or (iii) the development or redevelopment of those operating communities. For these activities, the Company receives asset management, property management, development and/or redevelopment fee revenue. The performance obligation is the management of the venture, community or other defined task such as the development or redevelopment of the community. While the individual activities that comprise the performance obligation of the management fees can vary day to day, the nature of the overall performance obligation to provide management service is the same and considered by the Company to be a series of services that have the same pattern of transfer to the customer and the same method to measure progress toward satisfaction of the performance obligation. The Company recognizes revenue for fees as earned on a monthly basis.

- Rental and non-rental related income - The Company recognizes revenue for new rental related income not included as components of a lease, such as reservation and application fees, as well as for non-rental related income, as earned.
- Gains or losses on sales of real estate - The Company accounts for the sale of real estate assets and any related gain recognition in accordance with the accounting guidance applicable to sales of real estate, which establishes standards for recognition of profit on all real estate sales transactions, other than commercial land sales. The Company recognizes the sale, and associated gain or loss from the disposition when the criteria for the sale of an asset have been met, which include when (i) a contract exists and (ii) the buyer obtained control of the nonfinancial asset that was sold. In addition, a gain or loss recognized on the sale of a nonfinancial asset to an unconsolidated entity is recognized at 100%, and not the Company's proportionate ownership percentage.

The following table provides details of the Company's revenue streams disaggregated by the Company's reportable operating segments, further discussed in Note 8, "Segment Reporting," for the years ended December 31, 2021, 2020 and 2019. The segments are classified based on the individual community's status at January 1, 2021 for the years ended December 31, 2021 and 2020, and at January 1, 2020 for the year ended December 31, 2019. Segment information for total revenue has been adjusted to exclude the real estate assets that were sold from January 1, 2019 through December 31, 2021, or otherwise qualify as held for sale as of December 31, 2021, as described in Note 6, "Real Estate Disposition Activities." (dollars in thousands):

	Same Store	Other Stabilized Communities	Development/ Redevelopment Communities	Non-allocated (1)	Total
For the year ended December 31, 2021					
Management, development and other fees and other ancillary items	\$ —	\$ —	\$ —	\$ 3,084	\$ 3,084
Rental and non-rental related income (2)	7,356	1,650	675	—	9,681
Total non-lease revenue (3)	7,356	1,650	675	3,084	12,765
Lease income (4)	2,038,817	102,707	97,704	—	2,239,228
Business interruption insurance proceeds	—	—	—	—	—
Total revenue	<u>\$ 2,046,173</u>	<u>\$ 104,357</u>	<u>\$ 98,379</u>	<u>\$ 3,084</u>	<u>\$ 2,251,993</u>
For the year ended December 31, 2020					
Management, development and other fees and other ancillary items	\$ —	\$ —	\$ —	\$ 1,978	\$ 1,978
Rental and non-rental related income (2)	7,200	2,056	362	—	9,618
Total non-lease revenue (3)	7,200	2,056	362	1,978	11,596
Lease income (4)	2,074,604	77,375	27,936	—	2,179,915
Business interruption insurance proceeds	379	—	—	—	379
Total revenue	<u>\$ 2,082,183</u>	<u>\$ 79,431</u>	<u>\$ 28,298</u>	<u>\$ 1,978</u>	<u>\$ 2,191,890</u>
For the year ended December 31, 2019					
Management, development and other fees and other ancillary items	\$ —	\$ —	\$ —	\$ 4,960	\$ 4,960
Rental and non-rental related income (2)	7,028	1,224	400	—	8,652
Total non-lease revenue (3)	7,028	1,224	400	4,960	13,612
Lease income (4)	2,032,561	108,757	28,377	—	2,169,695
Business interruption insurance proceeds	986	453	—	—	1,439
Total revenue	<u>\$ 2,040,575</u>	<u>\$ 110,434</u>	<u>\$ 28,777</u>	<u>\$ 4,960</u>	<u>\$ 2,184,746</u>

- (1) Revenue represents third-party management, asset management and developer fees and miscellaneous income and other ancillary items which are not allocated to a reportable segment.

- (2) Amounts include revenue streams related to leasing activities that are not considered components of a lease, including but not limited to, apartment hold fees and application fees, as well as revenue streams not related to leasing activities, including but not limited to, vendor revenue sharing, building advertising, vending and dry cleaning revenue.
- (3) Represents all revenue accounted for under ASC 606, Revenue from Contracts with Customers.
- (4) Amounts include all revenue streams derived from residential and commercial rental income and other lease income, which are accounted for under ASC 842.

Due to the nature and timing of the Company's identified revenue streams, there are no material amounts of outstanding or unsatisfied performance obligations as of December 31, 2021.

Uncollectible Lease Revenue Reserves

The Company assesses the collectability of its lease revenue and receivables on an on-going basis. Under ASC 842, Leases, the Company assesses the probability of receiving all remaining lease amounts due on a lease by lease basis, reserving for revenue and the related receivables for those leases where collection of substantially all of the remaining lease payments is not probable. Subsequently, the Company will only recognize revenue to the extent cash is received. If the Company determines that collection of the remaining lease payments becomes probable at a future date, the Company will recognize the cumulative revenue that would have been recorded under the original lease agreement.

In addition to the specific reserves recognized under ASC 842, the Company also evaluates its lease receivables for collectability at a portfolio level under ASC 450, Contingencies – Loss Contingencies. The Company recognizes a reserve under ASC 450 when the uncollectible revenue is probable and reasonably estimable. The Company applies this reserve to the population of the Company's revenue and receivables not specifically addressed as part of the specific ASC 842 reserve.

COVID-19 Pandemic

In March 2020, the World Health Organization designated COVID-19 as a pandemic. While the Company has taken various actions in response to the COVID-19 pandemic, the ultimate impact on its consolidated results of operations, cash flows, financial condition and liquidity will depend on, among other factors, (i) the effect on the multifamily industry and the general economy of measures taken by businesses and the government in response to the novel coronavirus and relieve economic distress of consumers, such as governmental limitations on the ability of multifamily owners to evict residents who are delinquent in the payment of their rent and (ii) the preferences of consumers and businesses for living and working arrangements both during and after the pandemic.

As of December 31, 2021, the Company assessed the collectability of the outstanding lease income receivables as a result of the impact of the COVID-19 pandemic on its residential and commercial lease portfolios. The Company recorded an aggregate offset to income for uncollectible lease revenue for its residential and commercial portfolios of \$52,075,000 and \$66,763,000 for the years ended December 31, 2021 and 2020 under ASC 842 and ASC 450, Contingencies.

2. Interest Capitalized

The Company capitalizes interest during the development and redevelopment of real estate assets. Capitalized interest associated with the Company's development or redevelopment activities totaled \$32,687,000, \$44,157,000 and \$62,823,000 for years ended December 31, 2021, 2020 and 2019, respectively.

3. Mortgage Notes Payable, Unsecured Notes, Term Loans and Credit Facility

The Company's mortgage notes payable, unsecured notes, variable rate unsecured term loans (the "Term Loans") and Credit Facility, as defined below, as of December 31, 2021 and 2020 are summarized below. The following amounts and discussion do not include the mortgage notes related to the communities classified as held for sale, if any, as of December 31, 2021 and 2020, as shown in the Consolidated Balance Sheets (dollars in thousands) (see Note 6, "Real Estate Disposition Activities").

	12/31/21	12/31/20
Fixed rate unsecured notes (1)	\$ 7,150,000	\$ 6,500,000
Term Loans (1)	250,000	250,000
Fixed rate mortgage notes payable—conventional and tax-exempt (2)	306,281	408,964
Variable rate mortgage notes payable—conventional and tax-exempt (2)	464,150	470,850
Total mortgage notes payable and unsecured notes and Term Loans	8,170,431	7,629,814
Credit Facility	—	—
Total mortgage notes payable, unsecured notes, Term Loans and Credit Facility	<u>\$ 8,170,431</u>	<u>\$ 7,629,814</u>

(1) Balances at December 31, 2021 and 2020 exclude \$10,033 and \$10,380, respectively, of debt discount, and \$40,573 and \$37,615, respectively, of deferred financing costs, as reflected in unsecured notes, net on the accompanying Consolidated Balance Sheets.

(2) Balances at December 31, 2021 and 2020 exclude \$13,528 and \$14,478 of debt discount, respectively, and \$2,750 and \$3,004, respectively, of deferred financing costs, as reflected in mortgage notes payable, net on the accompanying Consolidated Balance Sheets.

The following debt activity occurred during the year ended December 31, 2021:

- In January 2021, the Company repaid \$27,795,000 principal amount of 5.37% fixed rate secured debt at par in advance of its April 2021 maturity date.
- In September 2021, the Company repaid \$450,000,000 principal amount of its 2.95% unsecured notes in advance of the September 2022 scheduled maturity, recognizing a loss on debt extinguishment of \$17,890,000, composed of a prepayment penalty of \$12,147,000, and the non-cash write off of unamortized deferred hedging losses and unamortized deferred financing costs of \$5,743,000.
- In September 2021, the Company issued \$700,000,000 principal amount of unsecured notes in a public offering under its existing shelf registration statement for proceeds net of underwriting fees of approximately \$694,617,000, before considering the impact of other offering costs. The notes mature in January 2032 and were issued at a 2.05% interest rate. The notes were issued under the Company's green bond framework, and the Company has allocated or will allocate the net proceeds, in whole or in part, to one or more new or existing eligible green projects.
- In November 2021, the Company repaid an aggregate of \$73,060,000 principal amount of fixed rate secured debt with a weighted average interest rate of 3.79% at par in advance of the November 2036 maturity date.
- In November 2021, the Company issued \$400,000,000 principal amount of unsecured notes in a public offering under its existing shelf registration statement for proceeds net of underwriting fees of approximately \$396,976,000, before considering the impact of other offering costs. The notes mature in December 2028 and were issued at a 1.90% interest rate. The notes were issued under the Company's green bond framework, and the Company has allocated or will allocate the net proceeds, in whole or in part, to one or more new or existing eligible green projects.

At December 31, 2021, the Company had a \$1,750,000,000 revolving variable rate unsecured credit facility with a syndicate of banks (the “Credit Facility”) which matures in February 2024. The Credit Facility bears interest at varying levels based on (i) the London Interbank Offered Rate (“LIBOR”) applicable to the period of borrowing for a particular draw of funds from the facility (e.g., one month to maturity, three months to maturity, etc.) and (ii) the rating levels issued for our unsecured notes. The current stated pricing for drawn borrowings is LIBOR plus 0.775% per annum (0.88% at December 31, 2021), assuming a one month borrowing rate. The annual facility fee for the Credit Facility remained at 0.125%, resulting in a fee of \$2,188,000 annually based on the \$1,750,000,000 facility size and based on the Company's current credit rating.

The Company had no borrowings outstanding under the Credit Facility and had \$11,969,000 and \$2,900,000 outstanding in letters of credit that reduced the borrowing capacity as of December 31, 2021 and 2020, respectively. In addition, the Company had \$39,581,000 and \$32,079,000 outstanding in additional letters of credit unrelated to the Credit Facility as of December 31, 2021 and 2020, respectively.

In the aggregate, secured notes payable mature at various dates from March 2027 through July 2066, and are secured by certain apartment communities (with a net carrying value of \$1,256,155,000, excluding communities classified as held for sale, as of December 31, 2021).

The weighted average interest rate of the Company's fixed rate secured notes payable (conventional and tax-exempt) was 3.7% and 3.8% at December 31, 2021 and 2020, respectively. The weighted average interest rate of the Company's variable rate secured notes payable (conventional and tax exempt) including the effect of certain financing related fees, was 1.7% at both December 31, 2021 and 2020.

Scheduled payments and maturities of secured notes payable and unsecured notes outstanding at December 31, 2021 are as follows (dollars in thousands):

Year	Secured notes principal payments	Secured notes maturities	Unsecured notes and Term Loans maturities	Stated interest rate of unsecured notes and Term Loans
2022	\$ 8,263	\$ —	\$ 100,000	LIBOR + 0.90%
2023	8,999	—	350,000	4.200 %
			250,000	2.850 %
2024	9,837	—	300,000	3.500 %
			150,000	LIBOR + 0.85%
2025	10,478	—	525,000	3.450 %
			300,000	3.500 %
2026	11,420	—	475,000	2.950 %
			300,000	2.900 %
2027	13,765	236,100	400,000	3.350 %
2028	18,512	—	450,000	3.200 %
			400,000	1.900 %
2029	9,462	66,250	450,000	3.300 %
2030	10,014	—	700,000	2.300 %
2031	10,669	—	600,000	2.450 %
Thereafter	111,164	245,498	700,000	2.050 %
			350,000	3.900 %
			300,000	4.150 %
			300,000	4.350 %
	<u>\$ 222,583</u>	<u>\$ 547,848</u>	<u>\$ 7,400,000</u>	

The Company's unsecured notes are redeemable at the Company's option, in whole or in part, generally at a redemption price equal to the greater of (i) 100% of their principal amount or (ii) the sum of the present value of the remaining scheduled payments of principal and interest discounted at a rate equal to the yield on U.S. Treasury securities with a comparable maturity plus a spread between 20 and 45 basis points depending on the specific series of unsecured notes, plus accrued and unpaid interest to the redemption date.

The Company is subject to financial covenants contained in the Credit Facility, the Term Loans and the indentures under which the unsecured notes were issued. The principal financial covenants include the following:

- limitations on the amount of total and secured debt in relation to our overall capital structure;
- limitations on the amount of our unsecured debt relative to the undepreciated basis of real estate assets that are not encumbered by property-specific financing; and
- minimum levels of debt service coverage.

The Company was in compliance at December 31, 2021 with customary covenants under the Credit Facility, the Term Loans and the Company's fixed rate unsecured notes.

4. Equity

As of December 31, 2021 and 2020, the Company's charter had authorized for issuance a total of 280,000,000 shares of common stock and 50,000,000 shares of preferred stock.

During the year ended December 31, 2021, the Company:

- i. issued 2,759 shares of common stock in connection with stock options exercised;
- ii. issued 2,844 shares of common stock through the Company's dividend reinvestment plan;
- iii. issued 155,836 shares of common stock in connection with restricted stock grants and the conversion of performance awards to shares of common stock;
- iv. sold 122,343 shares of common stock under CEP V, as discussed below;
- v. withheld 75,780 shares of common stock to satisfy employees' tax withholding and other liabilities;
- vi. issued 21,362 shares of common stock through the Employee Stock Purchase Plan; and
- vii. canceled 4,109 shares of restricted common stock upon forfeiture.

Any deferred compensation related to the Company's stock based compensation plans during the year ended December 31, 2021 is not reflected on the accompanying Consolidated Balance Sheet as of December 31, 2021, and will not be reflected until recognized as compensation cost.

In July 2020, the Company's Board of Directors approved a new stock repurchase program under which the Company may acquire shares of its common stock in open market or negotiated transactions up to an aggregate purchase price of \$500,000,000 (the "2020 Stock Repurchase Program"). Purchases of common stock under the 2020 Stock Repurchase Program may be exercised at the Company's discretion with the timing and number of shares repurchased depending on a variety of factors including price, corporate and regulatory requirements, market conditions and other corporate liquidity requirements and priorities. The 2020 Stock Repurchase Program does not have an expiration date and may be suspended or terminated at any time without prior notice. During the year ended December 31, 2021, the Company had no repurchases of shares under this program. As of December 31, 2021, the Company had \$316,148,000 remaining authorized for purchase under this program.

In May 2019, the Company commenced a fifth continuous equity program ("CEP V") under which the Company may sell (and/or enter into forward sale agreements for the sale of) up to \$1,000,000,000 of its common stock from time to time. Actual sales will depend on a variety of factors to be determined by the Company, including market conditions, the trading price of the Company's common stock and the Company's determinations of the appropriate funding sources. The Company engaged sales agents for CEP V who receive compensation of up to 1.5% of the gross sales price for shares sold. The Company expects that, if entered into, it will physically settle each forward sale agreement on one or more dates specified by the Company on or prior to the maturity date of that particular forward sale agreement, and to receive aggregate net cash proceeds at settlement equal to the number of shares underlying the particular forward agreement multiplied by the forward sale price. However, the Company may also elect to cash settle or net share settle a forward sale agreement. In connection with each forward sale agreement, the Company will pay the forward seller, in the form of a reduced initial forward sale price, a commission of up to 1.5% of the sales prices of all borrowed shares of common stock sold. During the year ended December 31, 2021, the Company sold 122,343 shares of common stock at an average sales price of \$226.15 per share, for net proceeds of \$27,253,000 under this program. In addition, at December 31, 2021, the Company was party to a forward contract under CEP V to sell 68,577 shares of common stock for approximate proceeds of \$16,000,000 net of offering fees and discounts based on the initial forward price, with settlement of the forward contract to occur on one or more dates not later than December 31, 2022. The final proceeds will be determined on the date(s) of settlement after adjustments for the Company's dividends and a daily interest factor. As of December 31, 2021, the Company had \$705,961,000 remaining authorized for issuance under CEP V, after consideration of the forward contract.

5. Investments

Unconsolidated Investments

The Company accounts for its investments in unconsolidated entities under the equity method of accounting or under the measurement alternative, as discussed in Note 1, "Organization, Basis of Presentation and Significant Accounting Policies," under *Principles of Consolidation*. The significant accounting policies of the Company's unconsolidated investments are consistent with those of the Company in all material respects. Certain of these investments are subject to various buy-sell provisions or other rights which are customary in real estate joint venture agreements. The Company and its partners in these entities may initiate these provisions to either sell the Company's interest or acquire the joint venture interest from the Company's partner.

The following presents the Company's activities in unconsolidated investments for the years ended December 31, 2021, 2020 and 2019:

Archstone Multifamily Partners AC LP (the "U.S. Fund")—The Company is the general partner of the U.S. Fund and has a 28.6% combined general partner and limited partner equity interest. The Company acquired its interest in the U.S. Fund as part of the Archstone Acquisition (as defined in Note 5, "Investments in Real Estate Entities," of the Consolidated Financial Statements in Item 8 in the Company's Form 10-K filed February 22, 2019). The U.S. Fund sold one community in each of 2020 and 2019, and the Company's proportionate share of the gains in accordance with GAAP was \$5,157,000 and \$5,788,000, respectively. The U.S. Fund owns three communities and excluding costs incurred in excess of equity in the underlying net assets of the U.S. Fund, at December 31, 2021 the Company has an equity investment of \$18,706,000 (net of distributions).

Archstone Multifamily Partners AC JV LP (the "AC JV")—The Company has a 20.0% equity interest in the AC JV, and acquired its interest as part of the Archstone Acquisition. During 2021, the AC JV sold its final two communities, Avalon North Point and Avalon North Point Lofts, located in Cambridge, MA, containing an aggregate of 529 apartment homes, for \$325,000,000. The Company's proportionate share of the gains in accordance with GAAP was \$23,305,000. In conjunction with the disposition of Avalon North Point, the AC JV repaid a \$111,653,000 loan to the equity investors in the venture at par. At December 31, 2021 the Company has an equity investment of \$2,579,000 (net of distributions).

Legacy JV—As part of the Archstone Acquisition the Company entered into a limited liability company agreement with Equity Residential, through which it assumed obligations of Archstone in the form of preferred interests, some of which are governed by tax protection arrangements (the "Legacy JV"). The Company has a 40.0% interest in the Legacy JV. During the years ended December 31, 2021, 2020 and 2019, the Legacy JV redeemed certain of the preferred interests and paid accrued dividends, for which the Company contributed \$1,340,000, \$1,000,000 and \$1,400,000, respectively. At December 31, 2021, the remaining preferred interests had an aggregate liquidation value of \$34,468,000, the Company's 40.0% share of which was included in accrued expenses and other liabilities in the accompanying Consolidated Balance Sheets.

North Point II JV, LP—During 2016, the Company entered into a joint venture to develop, own, and operate AVA North Point, an apartment community located in Cambridge, MA, which completed construction during 2018 and contains 265 apartment

homes. The Company owned a 55.0% interest in the venture. During the year ended December 31, 2019, the Company acquired the 45.0% equity interest of AVA North Point that was owned by the venture partner, for a purchase price of \$71,280,000. Upon acquisition, the Company consolidated AVA North Point as a wholly-owned operating community.

NYTA MF Investors LLC (“NYC Joint Venture”)—During 2018, the Company contributed five wholly-owned operating communities containing an aggregate of 1,301 apartment homes and 58,000 square feet of commercial space, located in New York City, NY, to a newly formed joint venture with the intent to own and operate the communities. The Company retained a 20.0% equity interest in the venture with the partners sharing in returns in accordance with their ownership interests. At December 31, 2021 the Company has an equity investment of \$61,307,000 (net of distributions).

MVP I, LLC—During 2004, the Company entered into a joint venture agreement with an unrelated third-party to develop Avalon at Mission Bay II, an apartment community located in San Francisco, CA, which completed construction during 2006 and contains 313 apartment homes. The Company holds a 25.0% equity interest in the venture. The Company is responsible for the day-to-day operations of the community and is the management agent subject to the terms of a management agreement. MVP I, LLC had an outstanding \$103,000,000 fixed rate mortgage loan that is payable by the venture. The Company has not guaranteed the debt of MVP I, LLC, nor does the Company have any obligation to fund this debt should MVP I, LLC be unable to do so. The Company has fully recovered its basis as of December 31, 2021.

Brandywine Apartments of Maryland, LLC (“Brandywine”)—Brandywine owns a 305 apartment home community located in Washington, D.C. The community is managed by a third party. Brandywine is comprised of five members who hold various interests in the joint venture. The Company holds a 28.7% equity interest in Brandywine. Brandywine had an outstanding \$20,379,000 fixed rate mortgage loan that is payable by the venture. The Company has not guaranteed the debt of Brandywine, nor does the Company have any obligation to fund this debt should Brandywine be unable to do so. Excluding costs incurred in excess of equity in the underlying net assets of Brandywine, at December 31, 2021 the Company has an equity investment of \$16,010,000 (net of distributions), representing a 28.7% equity interest.

Avalon Alderwood MF Member, LLC—During 2019, the Company entered into a joint venture to develop, own, and operate Avalon Alderwood Mall, an apartment community located in Lynnwood, WA, which is currently under construction and expected to contain 328 apartment homes (unaudited) when complete. As of December 31, 2021, the Company has a 50.0% interest in the venture and has a total equity investment of \$55,054,000 which represents substantially all of the Company's required equity contributions. The venture is a VIE, though the Company is not the primary beneficiary because it shares control with its venture partner. The Company and its venture partner share decision making authority for all significant aspects of the venture's activities including, but not limited to, changes in the ownership or capital structure, and the capital budget to construct Avalon Alderwood Mall.

Arts District Joint Venture—During 2020, the Company entered into a joint venture to develop, own, and operate AVA Arts District, an apartment community located in Los Angeles, CA, which is currently under construction and expected to contain 475 apartment homes (unaudited) and 56,000 square feet (unaudited) of commercial space when completed. As of December 31, 2021, the Company has a 25.0% interest in the venture and excluding costs incurred in excess of equity in the underlying net assets of the venture, has a total equity investment of \$30,436,000. The venture has secured a \$167,147,000 variable rate construction loan to fund approximately 60.0% of the development of AVA Arts District, of which \$11,581,000 has been drawn as of December 31, 2021. The Company has guaranteed the construction loan on behalf of the venture, and any obligations under the construction loan guarantee, except for obligations arising from misconduct by the Company, are required capital contributions of the partners based on ownership interest. The venture is an unconsolidated VIE as the Company is not the primary beneficiary due to shared control and decision making with its venture partner. The Company and its venture partner share decision making authority for all significant aspects of the venture's activities including, but not limited to, changes in the ownership, changes to the development plan or budget, and major operating decisions including annual business plans.

Property Technology and Environmental Investments—Excluding costs incurred in excess of equity, the Company has invested \$17,277,000 in various property technology and environmentally focused companies directly and indirectly through investment management funds. The Company's interest in each individual investment represents less than 10% of the respective venture's equity interests. In addition, the Company has \$39,890,000 in outstanding equity commitments, with the timing and amount for these commitments to be fulfilled dependent on if, and when, investment opportunities are identified by the respective funds. During the year ended December 31, 2021, the Company recognized income and unrealized gains of \$15,908,000 related to these investments, which was reported as a component of income from investments in unconsolidated entities on the accompanying Consolidated Statements of Comprehensive Income.

The following is a combined summary of the financial position of the Company's unconsolidated investments discussed above, accounted for using the equity method and presented on the accompanying Consolidated Balance Sheets as of the dates presented, including development joint ventures started and unconsolidated communities sold during the respective periods (dollars in thousands):

	12/31/21	12/31/20
Assets:		
Real estate, net	\$ 1,184,041	\$ 1,249,730
Other assets	399,591	255,606
Total assets	<u>\$ 1,583,632</u>	<u>\$ 1,505,336</u>
Liabilities and partners' capital:		
Mortgage notes payable, net (1)	\$ 645,235	\$ 751,257
Other liabilities	168,403	163,808
Partners' capital	769,994	590,271
Total liabilities and partners' capital	<u>\$ 1,583,632</u>	<u>\$ 1,505,336</u>

- (1) Other than the AVA Arts District construction loan, the Company has not guaranteed any other outstanding debt, nor does the Company have any obligation to fund this debt should the unconsolidated entity be unable to do so.

The following is a combined summary of the operating results of the entities accounted for using the equity method discussed above and presented on the accompanying Consolidated Statements of Comprehensive Income, for the years presented (dollars in thousands):

	For the year ended		
	12/31/21	12/31/20	12/31/19 (1)
Rental and other income (2)	\$ 198,645	\$ 118,474	\$ 144,431
Operating and other expenses	(46,102)	(49,509)	(55,732)
Gain on sale of communities	164,273	18,450	21,748
Interest expense, net	(27,508)	(31,982)	(33,896)
Depreciation expense	(29,910)	(34,606)	(58,387)
Net income	<u>\$ 259,398</u>	<u>\$ 20,827</u>	<u>\$ 18,164</u>
Company's share of net income	\$ 32,123	\$ 8,538	\$ 10,779
Direct investment gains, amortization of excess investment and other (3)	6,462	(2,116)	(2,127)
Income from investments in unconsolidated entities	<u>\$ 38,585</u>	<u>\$ 6,422</u>	<u>\$ 8,652</u>

- (1) Amounts include results from AVA North Point through the date the Company acquired its venture partner's 45.0% equity interest.
- (2) Includes unrealized gains on the Company's indirect property technology ventures accounted for under the equity method of accounting during the year ended December 31, 2021.
- (3) Includes unrealized gains on the Company's direct investment in equity securities of property technology investments during the year ended December 31, 2021.

Investments in Consolidated Real Estate Entities

During the year ended December 31, 2021, the Company acquired seven consolidated communities:

- Avalon Arundel Crossing East, located in Linthicum Heights, MD, which contains 384 apartment homes and was acquired for a purchase price of \$119,000,000.
- Avalon Lakeside, located in Flower Mound, TX, which contains 425 apartment homes and 18,000 square feet of commercial space and was acquired for a purchase price of \$117,000,000.
- Hub South End, located in Charlotte, NC, which contains 265 apartment homes and 23,000 square feet of commercial space and was acquired for a purchase price of \$104,350,000.

- Three30Five, located in Charlotte, NC, which contains 164 apartment homes and was acquired for a purchase price of \$52,650,000.
- Avalon Fort Lauderdale, located in Fort Lauderdale, FL, which contains 243 apartment homes and 49,000 square feet of commercial space and was acquired for a purchase price of \$150,000,000.
- Avalon Miramar, located Miramar, FL, which contains 380 apartment homes and acquired for a purchase price of \$133,000,000.
- Hawk, located Charlotte, NC, which contains 71 apartment homes and acquired for a purchase price of \$48,500,000.

During the year ended December 31, 2020, the Company did not acquire any communities. In addition to AVA North Point, during the year ended December 31, 2019, the Company acquired five communities, containing an aggregate 1,175 apartment homes, which were acquired for an aggregate purchase price of \$345,450,000.

The Company accounted for these purchases as asset acquisitions and recorded the acquired assets and assumed liabilities, including identifiable intangibles, at their relative fair values based on the purchase price and acquisition costs incurred. The Company used third party pricing or internal models for the value of the land, a valuation model for the value of the building, and an internal model to determine the fair value of the remaining real estate assets and in-place leases. Given the heterogeneous nature of multifamily real estate, the fair values for the land, debt, real estate assets and in-place leases incorporated significant unobservable inputs and therefore are considered to be Level 3 prices within the fair value hierarchy.

6. Real Estate Disposition Activities

During the year ended December 31, 2021, the Company sold nine wholly-owned operating communities, containing an aggregate of 2,404 apartment homes for an aggregate sales price of \$867,200,000 and an aggregate gain in accordance with GAAP of \$602,235,000.

Details regarding the real estate sales, excluding for-sale residential condominiums at The Park Loggia, are summarized in the following table (dollars in thousands):

Community Name	Location	Period of sale	Apartment homes	Debt	Gross sales price	Net cash proceeds
eaves Stamford	Stamford, CT	Q121	238	\$ —	\$ 72,000	\$ 70,062
Avalon Norwalk	Norwalk, CT	Q221	311	—	103,000	101,422
AVA Cortez Hill	San Diego, CA	Q221	299	—	96,500	94,648
Avalon Redmond Place	Redmond, WA	Q221	222	—	97,700	86,750
Avalon Bronxville	Bronxville, NY	Q221	110	—	89,000	88,088
Avalon Glen Cove & Avalon Glen Cove North	Glen Cove, NY	Q221	367	—	126,000	125,564
eaves Lawrenceville	Lawrenceville, NJ	Q421	632	—	208,000	203,705
Avalon at Center Place	Providence, RI	Q421	225	—	75,000	71,841
Other real estate (1)	multiple	2021	N/A	—	7,858	8,150
Total of 2021 asset sales			2,404	\$ —	\$ 875,058	\$ 850,230
Total of 2020 asset sales			1,817	\$ —	\$ 634,250	\$ 619,773
Total of 2019 asset sales			1,660	\$ 21,700	\$ 431,280	\$ 422,041

(1) Represents the sale of one undeveloped land parcel, located in Boston, MA, and condominium rights, located in Plymouth, MA.

As of December 31, 2021, the Company had one real estate asset that qualified as held for sale.

The Park Loggia

The Park Loggia, located in New York, NY, contains 172 for-sale residential condominiums and 66,000 square feet of commercial space. During the year ended December 31, 2021, the Company sold 53 residential condominiums at The Park Loggia, for gross proceeds of \$135,458,000 resulting in a gain in accordance with GAAP of \$3,110,000. As of December 31, 2021, there were 49 residential condominiums remaining to be sold. The Company incurred \$4,087,000, \$5,662,000 and \$3,812,000 during the years ended December 31, 2021, 2020 and 2019, respectively, in marketing, operating and administrative costs. All amounts are included in net for-sale condominium activity, on the accompanying Consolidated Statements of Comprehensive Income. As of December 31, 2021 and 2020, the unsold for-sale residential condominiums at The Park Loggia had an aggregate carrying value of \$146,535,000 and \$267,219,000, respectively, presented as for-sale condominium inventory on the accompanying Consolidated Balance Sheets.

7. Commitments and Contingencies

Employment Agreements and Arrangements

At December 31, 2021, the Company has no employment agreements with its executive officers other than an agreement executed on December 4, 2020, with Benjamin W. Schall, who joined the Company on January 25, 2021 as President and a member of the Board of Directors and has been appointed to the additional role of Chief Executive Officer effective January 3, 2022.

The standard restricted stock and option agreements used by the Company in its compensation program provide that upon an employee's termination without cause or the employee's Retirement (as defined in the agreement), all outstanding stock options and restricted shares of stock held by the employee will vest, and the employee will have up to 12 months or until the fifth anniversary of the grant date, if later, or until the option expiration date, if earlier, to exercise any options then held. Under the agreements, Retirement generally means a termination of employment and other business relationships, other than for cause, after attainment of age 50, provided that (i) the employee has worked for the Company for at least 10 years, (ii) the employee's age at Retirement plus years of employment with the Company equals at least 70, (iii) the employee provides at least six months written notice of intent to retire, and (iv) the employee enters into a one year non-compete and employee non-solicitation agreement.

The Company also has an Officer Severance Program (the "Program"). Under the Program, in the event an officer who is not otherwise covered by a severance arrangement is terminated (other than for cause), or chooses to terminate his or her employment for good reason (as defined), in either case in connection with or within 24 months following a sale event (as defined) of the Company, such officer will generally receive a cash lump sum payment equal to a multiple of the officer's covered compensation (base salary plus annual cash bonus). The multiple is one time for vice presidents and senior vice presidents, two times for executive vice presidents and three times for the chief executive officer. The officer's restricted stock and options would also vest. Costs related to the Program are deferred and recognized over the requisite service period when considered by management to be probable and estimable.

Legal Contingencies

The Company recognizes a loss associated with contingent legal matters when the loss is probable and estimable. The Company is involved in various claims and/or administrative proceedings that arise in the ordinary course of its business. While no assurances can be given, the Company does not currently believe that any of these outstanding litigation matters, individually or in the aggregate, will have a material adverse effect on its financial condition or results of operations.

In addition, the Company accounts for recoveries from legal matters as a reduction in the legal and related costs incurred associated with the matter, with recoveries in excess of these costs reported as a gain or, where appropriate, a reduction in the net cost basis of a community to which the suit related. During the year ended December 31, 2019, the Company recognized \$6,292,000 in legal recoveries. Legal recoveries recognized during the year ended December 31, 2019 include \$3,126,000 in proceeds related to a former Development Right and \$2,237,000 in proceeds related to a construction defect at a community, reported as a component of general and administrative expense on the accompanying Consolidated Statements of Comprehensive Income. There were no material receipts during the year ended December 31, 2021 and 2020.

Lease Obligations

The Company owns seven apartment communities and two commercial properties, located on land subject to ground leases expiring between July 2046 and April 2106. The Company has purchase options for all ground leases expiring prior to 2095. The ground leases for six of the seven apartment communities and the two commercial properties, are operating leases, with rental expense recognized on a straight-line basis over the lease term. In addition, the Company is party to 13 leases for its corporate and regional offices with varying terms through 2031, all of which are operating leases. During the year ended December 31, 2021, the Company exercised its purchase option and acquired the land encumbered by the ground lease for Avalon Hackensack at Riverside for \$10,336,000.

As of December 31, 2021 and 2020, the Company had total operating lease assets of \$118,370,000 and \$133,581,000, respectively, and lease obligations of \$146,377,000 and \$161,313,000, respectively, reported as components of right of use lease assets and lease liabilities, respectively, on the accompanying Consolidated Balance Sheets. The Company incurred costs of \$15,458,000, \$16,011,000 and \$14,371,000 in the years ended December 31, 2021, 2020 and 2019, respectively, related to operating leases.

The Company has one apartment community located on land subject to a ground lease and four leases for portions of parking garages, adjacent to apartment communities, that are finance leases. As of December 31, 2021 and 2020, the Company had total finance lease assets of \$28,229,000 and \$21,685,000, respectively, and total finance lease obligations of \$20,120,000 and \$20,166,000, respectively, reported as components of right of use lease assets and lease liabilities, respectively, on the accompanying Consolidated Balance Sheets.

The following table details the weighted average remaining lease term and discount rates for the Company's ground and office leases:

Weighted-average remaining lease term - finance leases	24 years
Weighted-average remaining lease term - operating leases	38 years
Weighted-average discount rate - finance leases	4.63 %
Weighted-average discount rate - operating leases	4.61 %

The following tables detail the future minimum lease payments under the Company's current leases and a reconciliation of undiscounted and discounted cash flows for operating and finance leases (dollars in thousands):

	Payments due by period					
	2022	2023	2024	2025	2026	Thereafter
Operating Lease Obligations	\$ 13,797	\$ 13,558	\$ 13,324	\$ 13,575	\$ 13,358	\$ 290,869
Finance Lease Obligations	1,082	1,084	1,087	1,089	1,092	37,952
	<u>\$ 14,879</u>	<u>\$ 14,642</u>	<u>\$ 14,411</u>	<u>\$ 14,664</u>	<u>\$ 14,450</u>	<u>\$ 328,821</u>
		Total undiscounted cash flows		Total lease liabilities		Difference between discounted and undiscounted cash flows
Operating Lease Obligations	\$	358,481	\$	146,377	\$	212,104
Finance Lease Obligations		43,386		20,120		23,266
	<u>\$</u>	<u>401,867</u>	<u>\$</u>	<u>166,497</u>	<u>\$</u>	<u>235,370</u>

8. Segment Reporting

The Company's reportable operating segments include Same Store, Other Stabilized and Development/Redevelopment. Annually as of January 1, the Company determines which of its communities fall into each of these categories and generally maintains that classification throughout the year for the purpose of reporting segment operations, unless disposition or redevelopment plans regarding a community change.

- *Same Store* is composed of consolidated communities where a comparison of operating results from the prior year to the current year is meaningful as these communities were owned and had stabilized occupancy as of the beginning of the respective prior year. For the year ended December 31, 2021, Same Store communities are consolidated for financial reporting purposes, had stabilized occupancy as of January 1, 2020, are not conducting or are not probable to conduct substantial redevelopment activities and are not held for sale as of December 31, 2021 or probable for disposition to unrelated third parties within the fiscal year. A community is considered to have stabilized occupancy at the earlier of (i) attainment of 90% physical occupancy or (ii) the one year anniversary of completion of development or redevelopment.
- *Other Stabilized* is composed of completed consolidated communities that the Company owns and that are not Same Store but which have stabilized occupancy, as defined above, as of January 1, 2021, or which were acquired during the years ended December 31, 2021 or 2020. Other Stabilized includes stabilized operating communities in Charlotte, North Carolina and Dallas, Texas, the two new expansion markets the Company entered in 2021, but excludes communities that are conducting or are probable to conduct substantial redevelopment activities within the fiscal year.
- *Development/Redevelopment* is composed of (i) consolidated communities that are either currently under construction, or were under construction during the fiscal year, which may be partially or fully complete and operating, (ii) consolidated communities where substantial redevelopment is in progress or is probable to begin during the fiscal year and (iii) communities under lease-up that have been complete for less than one year and have not reached stabilized occupancy, as defined above, as of January 1, 2021.

In addition, the Company owns land for future development and has other corporate assets that are not allocated to an operating segment.

The Company's segment disclosures present the measure(s) used by the chief operating decision maker ("CODM") for purposes of assessing each segment's performance. The Company's CODM is comprised of several members of its executive management team who use net operating income ("NOI") as the primary financial measure for Same Store communities and Other Stabilized communities. NOI is defined by the Company as total property revenue less direct property operating expenses (including property taxes), and excluding corporate-level income (including management, development and other fees), corporate-level property management and other indirect operating expenses, expensed transaction, development and other pursuit costs, net of recoveries, interest expense, loss on extinguishment of debt, net, general and administrative expense, income from investments in unconsolidated entities, depreciation expense, income tax expense (benefit), casualty and impairment loss, gain on sale of communities, gain on other real estate transactions, net, net for-sale condominium activity and net operating income from real estate assets sold or held for sale. The CODM evaluates the Company's financial performance on a consolidated residential and commercial basis. The Company's commercial results attributable to the non-apartment components of the Company's mixed-use communities and other nonresidential operations represent 1.7%, 0.8% and 1.8% of total NOI for the years ended December 31, 2021, 2020 and 2019, respectively. Although the Company considers NOI a useful measure of a community's or communities' operating performance, NOI should not be considered an alternative to net income or net cash flow from operating activities, as determined in accordance with GAAP. NOI excludes a number of income and expense categories as detailed in the reconciliation of NOI to net income.

A reconciliation of NOI to net income for years ended December 31, 2021, 2020 and 2019 is as follows (dollars in thousands):

	For the year ended		
	12/31/21	12/31/20	12/31/19
Net income	\$ 1,004,356	\$ 827,706	\$ 786,103
Property management and other indirect operating expenses, net of corporate income	98,665	97,443	83,008
Expensed transaction, development and other pursuit costs, net of recoveries	3,231	12,399	4,991
Interest expense, net	220,415	214,151	203,585
Loss on extinguishment of debt, net	17,787	9,333	602
General and administrative expense	69,611	60,343	58,042
Income from investments in unconsolidated entities	(38,585)	(6,422)	(8,652)
Depreciation expense	758,596	707,331	661,578
Income tax expense (benefit)	5,733	(3,247)	13,003
Casualty and impairment loss	3,119	—	—
Gain on sale of communities	(602,235)	(340,444)	(166,105)
Gain on other real estate transactions, net	(2,097)	(440)	(439)
Net for-sale condominium activity	977	(2,551)	3,812
Net operating income from real estate assets sold or held for sale	(24,895)	(67,418)	(87,637)
Net operating income	<u>\$ 1,514,678</u>	<u>\$ 1,508,184</u>	<u>\$ 1,551,891</u>

The following is a summary of NOI from real estate assets sold or held for sale for the periods presented (dollars in thousands):

	For the year ended		
	12/31/2021	12/31/2020	12/31/2019
Rental income from real estate assets sold or held for sale	\$ 42,857	\$ 109,371	\$ 139,880
Operating expenses from real estate assets sold or held for sale	(17,962)	(41,953)	(52,243)
Net operating income from real estate assets sold or held for sale	<u>\$ 24,895</u>	<u>\$ 67,418</u>	<u>\$ 87,637</u>

The primary performance measure for communities under development or redevelopment depends on the stage of completion. While under development, management monitors actual construction costs against budgeted costs as well as lease-up pace and rent levels compared to budget.

The following table provides details of the Company's segment information as of the dates specified (dollars in thousands). The segments are classified based on the individual community's status at January 1, 2021 for the years ended December 31, 2021 and 2020 and at January 1, 2020, for the year ended December 31, 2019. Segment information for the years ended December 31, 2021, 2020 and 2019 has been adjusted to exclude the real estate assets that were sold from January 1, 2019 through December 31, 2021, or otherwise qualify as held for sale as of December 31, 2021, as described in Note 6, "Real Estate Disposition Activities."

	Total revenue	NOI	Gross real estate (1)
For the year ended December 31, 2021			
Same Store			
New England	\$ 302,919	\$ 193,415	\$ 2,787,583
Metro NY/NJ	425,653	289,855	4,112,556
Mid-Atlantic	338,455	227,695	3,583,374
Southeast Florida	31,703	19,689	395,999
Denver, CO	23,742	16,451	320,435
Pacific Northwest	109,907	74,875	1,059,431
Northern California	361,910	256,417	3,469,149
Southern California	451,884	310,048	4,396,416
Total Same Store	<u>2,046,173</u>	<u>1,388,445</u>	<u>20,124,943</u>
Other Stabilized	104,357	71,014	1,796,752
Development / Redevelopment	98,379	55,219	2,574,352
Land Held for Development	N/A	N/A	147,546
Non-allocated (3)	3,084	N/A	257,536
Total	<u>\$ 2,251,993</u>	<u>\$ 1,514,678</u>	<u>\$ 24,901,129</u>
For the period ended December 31, 2020			
Same Store			
New England	\$ 305,262	\$ 200,028	\$ 2,761,655
Metro NY/NJ	425,946	294,086	4,083,641
Mid-Atlantic	345,003	239,228	3,557,724
Southeast Florida	29,151	15,730	393,926
Denver, CO	21,293	13,796	319,562
Pacific Northwest	110,976	77,324	1,052,903
Northern California	400,934	298,176	3,438,290
Southern California	443,618	306,344	4,358,217
Total Same Store (2)	<u>2,082,183</u>	<u>1,444,712</u>	<u>19,965,918</u>
Other Stabilized	79,431	52,614	1,081,327
Development / Redevelopment	28,298	10,858	1,917,913
Land Held for Development	N/A	N/A	110,142
Non-allocated (3)	1,978	N/A	367,190
Total	<u>\$ 2,191,890</u>	<u>\$ 1,508,184</u>	<u>\$ 23,442,490</u>
For the year ended December 31, 2019			
Same Store			
New England	\$ 287,144	\$ 193,106	\$ 2,475,513
Metro NY/NJ	429,154	303,859	3,946,221
Mid-Atlantic	351,680	250,142	3,484,610
Southeast Florida	17,709	9,861	242,843
Denver, CO	5,694	3,716	77,513
Pacific Northwest	107,417	78,063	956,755
Northern California	397,593	305,450	3,186,075
Southern California	444,184	316,819	4,083,946
Total Same Store (2)	<u>2,040,575</u>	<u>1,461,016</u>	<u>18,453,476</u>
Other Stabilized	110,434	74,814	1,587,397
Development / Redevelopment	28,777	16,061	2,086,519
Land Held for Development	N/A	N/A	—
Non-allocated (3)	4,960	N/A	559,777
Total	<u>\$ 2,184,746</u>	<u>\$ 1,551,891</u>	<u>\$ 22,687,169</u>

- (1) Does not include gross real estate assets held for sale of \$26,176 as of December 31, 2021 and gross real estate assets either sold or classified as held for sale subsequent to December 31, 2020 and 2019 of \$474,792 and \$871,291, respectively.
- (2) Gross real estate for the Company's Same Store includes capitalized additions of approximately \$158,991, \$126,548 and \$128,324 in 2021, 2020 and 2019, respectively.

- (3) Revenue represents third-party management, accounting, and developer fees and miscellaneous income and other ancillary items which are not allocated to a reportable segment. Gross real estate includes the for-sale residential condominiums at The Park Loggia, as discussed in Note 6, "Real Estate Disposition Activities."

9. Stock-Based Compensation Plans

The Company's Second Amended and Restated 2009 Equity Incentive Plan (the "2009 Plan") includes an authorization to issue shares of the Company's common stock, par value \$0.01 per share. At December 31, 2021, the Company had 6,088,456 shares remaining available to issue under the 2009 Plan, exclusive of shares that may be issued to satisfy currently outstanding awards such as stock options or performance awards. The 2009 Plan provides for various types of equity awards to associates, officers, non-employee directors and other key personnel of the Company and its subsidiaries. The types of awards that may be granted under the 2009 Plan include restricted stock, restricted stock units, stock options that qualify as incentive stock options ("ISOs") under Section 422 of the Code, non-qualified stock options, stock appreciation rights and performance awards, among others. No grants of stock options and other awards will be made after May 15, 2027, and no grants of incentive stock options will be made after February 16, 2027.

Information with respect to stock options granted under the 2009 Plan is as follows:

	2009 Plan shares	Weighted average exercise price per share
Options Outstanding, December 31, 2018	124,212	\$ 128.84
Exercised	(109,804)	129.47
Granted	—	—
Forfeited	—	—
Options Outstanding, December 31, 2019	14,408	\$ 124.05
Exercised	(1,902)	89.17
Granted	—	—
Forfeited	—	—
Options Outstanding, December 31, 2020	12,506	\$ 129.35
Exercised	(2,759)	124.34
Granted (1)	294,115	180.32
Forfeited	(4,713)	180.32
Options Outstanding, December 31, 2021	299,149	\$ 178.71
Options Exercisable:		
December 31, 2019	14,408	\$ 124.05
December 31, 2020	12,506	\$ 129.35
December 31, 2021	9,747	\$ 130.77

- (1) Includes 4,847 options resulting from recipient elections to receive a portion of earned restricted stock awards in the form of stock options.

In February 2021, as a supplement to its normal compensation framework for officers, the Company granted stock options with the exercise price equal to the closing stock price on the date of grant. The stock options awarded in 2021 have a ten-year term and will cliff vest on March 1, 2023. For these supplemental 2021 stock options, the officer will have 12 months to exercise the option if terminated without cause and will have until the expiration date to exercise the options if the officer retires after the cliff vesting date. The Company used the Black-Scholes Option Pricing model to determine the grant date fair value of options. The assumptions used are as follows:

	<u>2021</u>
Dividend yield	3.5 %
Estimated volatility	27.1 %
Risk free rate	0.81 %
Expected life of options	5 years
Estimated fair value	\$28.64

The following summarizes the exercise prices and contractual lives of options outstanding as of December 31, 2021:

2009 Plan Number of Options	Range—Exercise Price			Weighted Average Remaining Contractual Term (in years)
9,747	\$130.00	-	\$139.99	0.9
289,402	\$180.00	-	\$189.99	9.2
<u>299,149</u>				

Options outstanding and exercisable at December 31, 2021 had an intrinsic value of \$22,102,000 and \$1,187,000, respectively. Options exercisable had a weighted average contractual life of 0.9 years. The intrinsic value of options exercised under the 2009 Plan during 2021, 2020 and 2019 was \$186,000, \$251,000 and \$7,970,000, respectively. There were no stock options granted in 2020 and 2019.

The Company has a compensation framework under which share-based compensation granted is composed of annual restricted stock awards for which one third of the award vests annually over a three-year period, and multi-year long term incentive performance awards. For annual restricted stock awards, in lieu of time-vesting restricted stock, the recipient may elect to receive up to 100% of the award value, in increments of 25%, in the form of stock options, for which one third of the award vests annually over a three-year period. Under the Company's multi-year long term incentive compensation framework, the Company grants a target number of performance awards, with the ultimate award determined by the total shareholder return of the Company's common stock and/or operating performance metrics, measured in each case over a measurement period of up to three years. Performance units granted in 2017 or earlier that were earned at the end of the measurement period were settled in the form of time-vesting restricted stock. Performance units granted in 2018 and later years that are earned at the end of the measurement period are settled in fully vested shares of common stock and an amount of cash equal to the dividends that would have been payable, while the performance award was outstanding, on a number of shares equal to the number of units earned.

After the first year of the performance period, if the employee's employment terminates on account of death, disability, retirement, or termination without cause, the employee shall vest in a pro rata portion of the award (based on the employee's service time during the performance period), with such vested portion to be earned and converted into shares and the cash amount for the dividends described above at the end of the performance period based on actual achievement under the performance award. For other terminating events, performance awards are generally forfeited.

Information with respect to performance awards granted is as follows:

	<u>Performance awards</u>	<u>Weighted average grant date fair value per award</u>
Outstanding at December 31, 2018	267,129	\$ 157.21
Granted (1)	80,512	200.75
Change in awards based on performance (2)	(16,760)	142.03
Converted to restricted stock	(73,072)	142.03
Forfeited	(4,377)	166.44
Outstanding at December 31, 2019	253,432	\$ 176.27
Granted (3)	77,182	238.03
Change in awards based on performance (2)	18,112	177.26
Converted to restricted stock	(96,317)	177.26
Forfeited	(10,488)	188.52
Outstanding at December 31, 2020	241,921	\$ 195.13
Granted (4)	138,033	191.12
Change in awards based on performance (2)	(37,469)	156.00
Converted to shares of common stock	(56,545)	156.00
Forfeited	(1,418)	207.65
Outstanding at December 31, 2021	<u>284,522</u>	<u>\$ 206.05</u>

- (1) The shares of common stock earned was based on the total shareholder return metrics for the Company's common stock for 47,502 performance awards and financial metrics related to operating performance, net asset value and leverage metrics of the Company for 33,010 performance awards.
- (2) Represents the change in the number of performance awards earned based on performance achievement.
- (3) The shares of common stock that may be earned is based on the total shareholder return metrics for the Company's common stock for 38,823 performance awards and financial metrics related to operating performance and leverage metrics of the Company for 38,359 performance awards.
- (4) The shares of common stock that may be earned is based on the total shareholder return metrics for the Company's common stock for 69,064 performance awards and financial metrics related to operating performance and leverage metrics of the Company for 68,969 performance awards.

The Company used a Monte Carlo model to assess the compensation cost associated with the portion of the performance awards granted for which achievement will be determined by using total shareholder return measures. The assumptions used are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Dividend yield	3.5%	2.8%	3.1%
Estimated volatility over the life of the plan (1)	22.0% - 49.0%	11.1% - 15.5%	13.9% - 18.8%
Risk free rate	0.06% - 0.38%	1.45% - 1.62%	2.46% - 2.57%
Estimated performance award value based on total shareholder return measure	\$213.16	\$254.72	\$204.15

- (1) Estimated volatility over the life of the plan is using 50% historical volatility and 50% implied volatility.

For the portion of the performance awards granted for which achievement will be determined by using financial metrics, the compensation cost was based on a weighted average grant date value of \$178.38, \$224.64 and \$195.86, for the years ended December 31, 2021, 2020 and 2019, respectively, and the Company's estimate of corporate achievement for the financial metrics.

Information with respect to restricted stock granted is as follows:

	Restricted stock shares	Restricted stock shares weighted average grant date fair value per share	Restricted stock shares converted from performance awards
Outstanding at December 31, 2018	160,411	\$ 166.33	209,238
Granted - restricted stock shares	79,430	196.43	73,072
Vested - restricted stock shares	(89,289)	168.06	(119,064)
Forfeited	(2,226)	174.45	(135)
Outstanding at December 31, 2019	148,326	\$ 181.29	163,111
Granted - restricted stock shares	69,228	221.08	96,317
Vested - restricted stock shares	(79,931)	178.41	(111,325)
Forfeited	(5,899)	196.22	(1,784)
Outstanding at December 31, 2020	131,724	\$ 203.28	146,319
Granted - restricted stock shares	99,291	178.84	—
Vested - restricted stock shares	(69,840)	192.32	(71,692)
Forfeited	(4,109)	195.77	—
Outstanding at December 31, 2021	157,066	\$ 192.90	74,627

Total employee stock-based compensation cost recognized in income was \$25,100,000, \$21,110,000 and \$24,885,000 for the years ended December 31, 2021, 2020 and 2019, respectively, and total capitalized stock-based compensation cost was \$9,472,000, \$9,974,000 and \$9,396,000 for the years ended December 31, 2021, 2020 and 2019, respectively. At December 31, 2021, there was a total unrecognized compensation cost of \$39,440,000 for unvested restricted stock, stock options and performance awards, which does not include forfeitures, and is expected to be recognized over a weighted average period of 1.7 years. Forfeitures are included in compensation cost as they occur.

Employee Stock Purchase Plan

In October 1996, the Company adopted the 1996 Non-Qualified Employee Stock Purchase Plan (as amended, the “ESPP”). Initially 1,000,000 shares of common stock were reserved for issuance under this plan. There are currently 612,912 shares remaining available for issuance under the ESPP. Employees of the Company generally are eligible to participate in the ESPP if, as of the last day of the applicable purchase period, they have been employed by the Company for at least one month. Under the ESPP, eligible employees are permitted to acquire shares of the Company's common stock through payroll deductions, subject to maximum purchase limitations, during two purchase periods. The first purchase period begins January 1 and ends June 10, and the second purchase period begins July 1 and ends December 10. The purchase price for common stock purchased under the plan is 85% of the lesser of the fair market value of the Company's common stock on the first day of the applicable purchase period or the last day of the applicable purchase period. The offering dates, purchase dates and duration of purchase periods may be changed if the change is announced prior to the beginning of the affected date or purchase period. The Company issued 21,362, 20,161 and 13,894 shares and recognized compensation expense of \$1,609,000, \$537,000 and \$761,000 under the ESPP for the years ended December 31, 2021, 2020 and 2019, respectively. The Company accounts for transactions under the ESPP using the fair value method prescribed by accounting guidance applicable to entities that use employee share purchase plans.

10. Related Party Arrangements

Unconsolidated Entities

The Company manages unconsolidated real estate entities for which it receives asset management, property management, development and redevelopment fee revenue. From these entities, the Company earned fees of \$3,084,000, \$3,819,000 and \$4,960,000 in the years ended December 31, 2021, 2020 and 2019, respectively. In addition, the Company had outstanding receivables associated with its property and construction management roles of \$3,964,000 and \$5,408,000 as of December 31, 2021 and 2020, respectively.

Director Compensation

Directors of the Company who are also employees receive no additional compensation for their services as a director. Following each annual meeting of stockholders, non-employee directors receive (i) a number of shares of restricted stock (or deferred stock units) having a value of \$170,000 and (ii) a cash payment of \$90,000, payable in equal quarterly installments of

\$22,500. The number of shares of restricted stock (or deferred stock units) is calculated based on the closing price on the day of the award. Non-employee directors may elect to receive all or a portion of cash payments in the form of deferred stock units. Additionally, the Lead Independent Director receives in the aggregate an additional annual fee of \$30,000 payable in equal quarterly installments of \$7,500, the non-employee director serving as the chairperson of the Audit Committee receives additional cash compensation of \$25,000 per year payable in equal quarterly installments of \$6,250, the non-employee director serving as the chairperson of the Compensation Committee receives additional cash compensation of \$20,000 per year payable in equal quarterly installments of \$5,000 and the Nominating and Corporate Governance and Investment and Finance Committee chairpersons receive an additional annual fee of \$15,000 payable in equal quarterly installments of \$3,750.

The Company recorded non-employee director compensation expense relating to restricted stock grants and deferred stock units in the amount of \$1,981,000, \$1,819,000 and \$1,725,000 for the years ended December 31, 2021, 2020 and 2019, respectively, as a component of general and administrative expense. Deferred compensation relating to these restricted stock grants and deferred stock units to non-employee directors was \$696,000, \$614,000 and \$594,000 on December 31, 2021, 2020 and 2019, respectively, reported as a component of prepaid expenses and other assets on the accompanying Consolidated Balance Sheets.

11. Fair Value

Financial Instruments Carried at Fair Value

Derivative Financial Instruments

The Company uses interest rate swap and interest rate cap agreements to manage its interest rate risk. These instruments are carried at fair value in the Company's financial statements. In adjusting the fair value of its derivative contracts for the effect of counterparty nonperformance risk, the Company has considered the impact of its net position with a given counterparty, as well as any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees. The Company minimizes its credit risk on these transactions by dealing with major, creditworthy financial institutions which have an A or better credit rating by the Standard & Poor's Ratings Group. As part of its on-going control procedures, the Company monitors the credit ratings of counterparties and the exposure of the Company to any single entity, thus reducing credit risk concentration. The Company believes the likelihood of realizing losses from counterparty nonperformance is remote. Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, such as interest rate, term to maturity and volatility, the credit valuation adjustments associated with its derivatives use Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by itself and its counterparties. As of December 31, 2021, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined it is not significant. As a result, the Company has determined that its derivative valuations are classified in Level 2 of the fair value hierarchy.

The following table summarizes the consolidated derivative positions at December 31, 2021 (dollars in thousands):

	Non-designated Hedges		Cash Flow Hedges	
	Interest Rate Caps		Interest Rate Swaps	
Notional balance	\$	402,670	\$	150,000
Weighted average interest rate (1)		1.7 %		N/A
Weighted average swapped/capped interest rate		6.1 %		1.4 %
Earliest maturity date		January 2024		March 2022
Latest maturity date		November 2026		March 2022

(1) For debt hedged by interest rate caps, represents the weighted average interest rate on the hedged debt prior to any impact of the associated interest rate caps.

The following derivative activity occurred during the year ended December 31, 2021:

- The Company terminated \$150,000,000 of forward interest rate swap agreements for which hedge accounting was ceased in 2020, receiving a payment of \$6,962,000. The Company recognized \$2,894,000 of these proceeds as a gain in 2020, and \$2,654,000 of these proceeds as a gain during the year ended December 31, 2021 included in interest expense, net on the accompanying Consolidated Statements of Comprehensive Income.

- In conjunction with the issuance of the Company's \$700,000,000 2.050% unsecured notes due 2032 in September 2021, the Company settled \$200,000,000 of forward interest rate swap agreements, entered into in 2021, designated as cash flow hedges of the interest rate variability on the issuance of the unsecured notes, making a net payment of \$2,211,000. The Company has deferred these amounts in accumulated other comprehensive loss on the accompanying Consolidated Balance Sheets, and is recognizing the impact as a component of interest expense, net, over the term of the respective hedged debt.
- The Company entered into an additional \$150,000,000 of new forward interest rate swap agreements executed to reduce the impact of variability in interest rates on a portion of the Company's expected debt issuance activity in 2022.

At the maturity of the remaining outstanding swap agreements, the Company expects to cash settle the contracts and either pay or receive cash for the then current fair value. Assuming that the Company issues the debt as expected, the hedging impact from these positions will then be recognized over the life of the issued debt as a yield adjustment.

The Company had five derivatives not designated as hedges at December 31, 2021. Other than the \$150,000,000 of forward interest rate swap agreements for which hedge accounting was ceased in 2020, fair value changes for derivatives not in qualifying hedge relationships for the years ended December 31, 2021 and 2020, were not material. During 2021, the Company deferred \$993,000 of net gains for cash flow hedges reported as a component of accumulated other comprehensive loss.

The following table summarizes the deferred losses reclassified from accumulated other comprehensive loss into earnings (dollars in thousands):

	For the year ended		
	12/31/21	12/31/20	12/31/19
Cash flow hedge losses reclassified to earnings	\$ 13,151	\$ 8,984	\$ 6,571

The Company anticipates reclassifying approximately \$4,051,000 of net hedging losses from accumulated other comprehensive loss into earnings within the next 12 months as an offset to the hedged item during this period. The Company did not have any derivatives designated as fair value hedges as of December 31, 2021 and 2020.

Redeemable Noncontrolling Interests

The Company issued units of limited partnership interest in a DownREIT that provides the DownREIT limited partners the ability to present all or some of their units for redemption for cash as determined by the partnership agreement. Under the DownREIT agreement, for each limited partnership unit, the limited partner is entitled to receive cash in the amount equal to the fair value of the Company's common stock on or about the date of redemption. In lieu of cash redemption, the Company may elect to exchange such units for an equal number of shares of the Company's common stock. The limited partnership units in the DownREIT are valued using the market price of the Company's common stock, a Level 1 price under the fair value hierarchy.

Financial Instruments Not Carried at Fair Value

Cash and Cash Equivalents

Cash and cash equivalent balances are held with various financial institutions within accounts designed to preserve principal. The Company monitors credit ratings of these financial institutions and the concentration of cash and cash equivalent balances with any one financial institution and believes the likelihood of realizing material losses related to cash and cash equivalent balances is remote. Cash and cash equivalents are carried at their face amounts, which reasonably approximate their fair values and are Level 1 within the fair value hierarchy.

Other Financial Instruments

Rents and other receivables and prepaid expenses, accounts and construction payable and accrued expenses and other liabilities are carried at their face amounts, which reasonably approximate their fair values based on their short-term maturities.

Indebtedness

The Company values its fixed rate unsecured notes using quoted market prices, a Level 1 price within the fair value hierarchy. The Company values its mortgage notes payable, variable rate unsecured notes, including the Term Loans, and outstanding amounts under the Credit Facility using a discounted cash flow analysis on the expected cash flows of each instrument. This analysis reflects the contractual terms of the instrument, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The process also considers credit valuation adjustments to appropriately reflect the Company's nonperformance risk. The Company has concluded that the value of its mortgage notes payable, variable rate unsecured notes, Term Loans and outstanding amounts under the Credit Facility are Level 2 prices as the majority of the inputs used to value its positions fall within Level 2 of the fair value hierarchy.

Financial Instruments Measured/Disclosed at Fair Value on a Recurring Basis

The following tables summarize the classification between the three levels of the fair value hierarchy of the Company's financial instruments measured/disclosed at fair value on a recurring basis (dollars in thousands):

Description	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Non Designated Hedges				
Interest Rate Caps	\$ 225	\$ —	\$ 225	\$ —
Interest Rate Swaps - Assets	3,204	—	3,204	—
DownREIT units	(1,895)	(1,895)	—	—
Indebtedness				
Fixed rate unsecured notes	(7,624,560)	(7,624,560)	—	—
Mortgage notes payable, variable rate unsecured notes	(940,779)	—	(940,779)	—
Total	<u>\$ (8,563,805)</u>	<u>\$ (7,626,455)</u>	<u>\$ (937,350)</u>	<u>\$ —</u>
12/31/2020				
Non Designated Hedges				
Interest Rate Caps	\$ 6	\$ —	\$ 6	\$ —
Interest Rate Swaps - Assets	4,308	—	4,308	—
DownREIT units	(1,203)	(1,203)	—	—
Indebtedness				
Fixed rate unsecured notes	(7,271,799)	(7,271,799)	—	—
Mortgage notes payable, variable rate unsecured notes	(1,043,976)	—	(1,043,976)	—
Total	<u>\$ (8,312,664)</u>	<u>\$ (7,273,002)</u>	<u>\$ (1,039,662)</u>	<u>\$ —</u>

12. Subsequent Events

The Company has evaluated subsequent events, through the date on which this Form 10-K was filed, the date on which these financial statements were issued, and identified the items below for discussion.

In January 2022, the Company entered into agreements to sell two wholly-owned operating communities containing an aggregate of 408 apartment homes and net real estate of \$64,984,000 as of December 31, 2021, resulting in the communities qualifying as held for sale subsequent to December 31, 2021. In February 2022, the Company sold one of these communities, Avalon Ossining, located in Ossining, NY, containing 168 apartment homes for \$70,000,000. The Company expects to complete the sale of the other community in the first quarter of 2022.

In February 2022, the Company sold Avalon West Long Branch, located in West Long Branch, NJ, containing 180 apartment homes for \$75,000,000. As of December 31, 2021, Avalon West Long Branch qualified as held for sale.

In February 2022, the Company acquired Avalon Flatirons, a wholly-owned operating community, located in Lafayette, Colorado, containing 207 apartment homes and 16,000 square feet of commercial space, for a purchase price of \$95,000,000.

AVALONBAY COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2021
(Dollars in thousands)

Community	City and state	# of homes	2021				2020				2021			
			Initial Cost		Total Cost		Total Cost, Net of Accumulated Depreciation		Total Cost, Net of Accumulated Depreciation		Encumbrances		Encumbrances	
			Land and improvements	Building/Construction in Progress & Improvements	Costs Subsequent to Acquisition / Construction	Building/Construction in Progress & Improvements	Land and improvements	Total	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Encumbrances	Total Cost, Net of Accumulated Depreciation
SAME STORE														
NEW ENGLAND														
Boston, MA														
Avalon at Lexington	Lexington, MA	198	\$ 2,124	\$ 12,567	\$ 13,346	\$ 2,124	\$ 25,913	\$ 28,037	\$ 18,473	\$ 9,564	\$ 10,632	\$ —	\$ —	1994
Avalon Oaks	Wilmington, MA	204	2,129	17,567	7,924	2,129	25,491	27,620	17,900	9,720	10,000	—	—	1999
eaves Quincy	Quincy, MA	245	1,743	14,662	13,696	1,743	28,358	30,101	18,920	11,181	11,007	—	—	1986/1995
Avalon Oaks West	Wilmington, MA	120	3,318	13,465	2,941	3,318	16,406	19,724	10,736	8,988	9,093	—	—	2002
Avalon at Newton Highlands	Newton, MA	294	10,905	45,547	18,315	10,905	63,862	74,767	36,480	38,287	40,018	—	—	2003
Avalon at The Pinehills	Plymouth, MA	192	6,876	30,401	5,883	6,876	36,284	43,160	17,137	26,023	26,227	—	—	2004
eaves Peabody	Peabody, MA	286	4,645	18,919	16,248	4,645	35,167	39,812	19,002	20,810	21,703	—	—	1962/2004
Avalon at Bedford Center	Bedford, MA	139	4,258	20,551	5,543	4,258	26,094	30,352	14,100	16,252	17,623	—	—	2006
Avalon at Chestnut Hill	Chestnut Hill, MA	204	14,572	45,911	13,917	14,572	59,828	74,400	29,178	45,222	46,499	35,770	—	2007
Avalon at Lexington Hills	Lexington, MA	387	8,691	79,121	15,224	8,691	94,345	103,036	46,055	56,981	61,146	—	—	2008
Avalon Acton	Acton, MA	380	13,124	48,695	9,286	13,124	57,981	71,105	26,388	44,717	44,580	45,000	—	2008
Avalon at the Hingham Shipyard	Hingham, MA	235	12,218	41,656	11,238	12,218	52,894	65,112	24,353	40,759	43,026	—	—	2009
Avalon Sharon	Sharon, MA	156	4,719	25,478	5,797	4,719	31,275	35,994	14,907	21,087	22,605	—	—	2008
Avalon Northborough	Northborough, MA	382	8,144	52,184	6,626	8,144	58,810	66,954	24,112	42,842	43,733	—	—	2009
Avalon Exeter (2)	Boston, MA	187	—	110,028	934	—	110,962	110,962	29,409	81,553	85,066	—	—	2014
Avalon Natick	Natick, MA	407	15,645	64,845	2,400	15,645	67,245	82,890	19,873	63,017	63,922	—	—	2013
Avalon at Assembly Row	Somerville, MA	195	8,599	52,454	873	8,599	53,327	61,926	14,352	47,574	49,201	—	—	2015
AVA Somerville	Somerville, MA	250	10,944	56,460	832	10,944	57,292	68,236	14,485	53,751	55,550	—	—	2015
AVA Back Bay	Boston, MA	271	9,034	36,540	52,076	9,034	88,616	97,650	46,609	51,041	54,133	—	—	1968/1998
Avalon Prudential Center II	Boston, MA	266	8,776	35,496	64,978	8,776	100,474	109,250	46,808	62,442	64,558	—	—	1968/1998
Avalon Prudential Center I (1)	Boston, MA	243	8,002	32,370	56,151	8,002	88,521	96,523	40,581	55,942	56,211	—	—	1968/1998
eaves Burlington	Burlington, MA	203	7,714	32,499	8,573	7,714	41,072	48,786	12,920	35,866	36,625	—	—	1988/2012
AVA Theater District	Boston, MA	398	17,072	163,633	505	17,072	164,138	181,210	36,610	144,600	150,260	—	—	2015
Avalon Burlington	Burlington, MA	312	15,600	60,649	17,572	15,600	78,221	93,821	24,774	69,047	71,360	—	—	1989/2013
Avalon Marlborough	Marlborough, MA	350	15,367	60,397	1,346	15,367	61,743	77,110	14,384	62,726	64,348	—	—	2015
Avalon North Station	Boston, MA	503	22,796	247,270	719	22,796	247,989	270,785	40,830	229,955	238,733	—	—	2017
Avalon Framingham	Framingham, MA	180	9,315	34,631	206	9,315	34,837	44,152	7,791	36,361	37,448	—	—	2015
Avalon Quincy	Quincy, MA	395	14,694	79,655	79	14,694	79,734	94,428	14,643	79,785	82,635	—	—	2017
Avalon Easton	Easton, MA	290	3,170	60,837	303	3,170	61,140	64,310	10,465	53,845	56,082	—	—	2017

AVALONBAY COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
December 31, 2021
(Dollars in thousands)

Community	City and state	# of homes	2021					2020					2021				
			Initial Cost		Total Cost			Initial Cost		Total Cost			Initial Cost		Total Cost		
			Land and improvements	Building / Construction in Progress & Improvements	Costs Subsequent to Acquisition / Construction	Land and improvements	Building / Construction in Progress & Improvements	Total	Land and improvements	Building / Construction in Progress & Improvements	Total	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Encumbrances	Year of Completion / Acquisition		
Avalon at the Hingham Shipyard II	Hingham, MA	190	\$ 8,998	\$ 55,366	\$ 47	\$ 8,998	\$ 55,413	\$ 64,411	\$ 6,788	\$ 57,623	\$ 59,819	\$ —	—	2019			
Avalon Sudbury	Sudbury, MA	250	20,254	66,554	88	20,254	66,642	86,896	8,680	78,216	80,881	—	—	2019			
AVA North Point	Cambridge, MA	265	31,263	81,196	2,793	31,263	83,989	115,252	9,419	105,833	108,984	—	—	2018/2019			
Avalon Bear Hill	Waltham, MA	324	27,350	94,168	29,950	27,350	124,118	151,468	42,059	109,409	113,533	—	—	1999/2013			
Total Boston, MA		8,901	\$ 352,059	\$ 1,891,772	\$ 386,409	\$ 352,059	\$ 2,278,181	\$ 2,630,240	\$ 759,221	\$ 1,871,019	\$ 1,937,241	\$ 80,770					
Fairfield, CT																	
Avalon Wilton on River Rd	Wilton, CT	102	\$ 2,116	\$ 14,664	\$ 7,536	\$ 2,116	\$ 22,200	\$ 24,316	\$ 15,570	\$ 8,746	\$ 9,505	\$ —	—	1997			
Avalon New Canaan	New Canaan, CT	104	4,834	22,990	6,852	4,834	29,842	34,676	17,984	16,692	17,800	—	—	2002			
Avalon Darien	Darien, CT	189	6,926	34,558	9,489	6,926	44,047	50,973	24,822	26,151	27,861	—	—	2004			
Avalon East Norwalk	Norwalk, CT	240	10,395	36,451	532	10,395	36,983	47,378	11,086	36,292	37,492	—	—	2013			
Total Fairfield, CT		635	\$ 24,271	\$ 108,663	\$ 24,409	\$ 24,271	\$ 133,072	\$ 157,343	\$ 69,462	\$ 87,881	\$ 92,658	\$ —					
TOTAL NEW ENGLAND		9,536	\$ 376,330	\$ 2,000,435	\$ 410,818	\$ 376,330	\$ 2,411,253	\$ 2,787,583	\$ 828,683	\$ 1,958,900	\$ 2,029,899	\$ 80,770					
METRO NY/NJ																	
New York City, NY																	
Avalon Riverview (3)	Long Island City, NY	372	\$ —	\$ 94,061	\$ 13,553	\$ —	\$ 107,614	\$ 107,614	\$ 71,334	\$ 36,280	\$ 39,258	\$ —	—	2002			
Avalon Riverview North (3)	Long Island City, NY	602	—	165,932	16,411	—	182,343	182,343	85,298	97,045	102,751	—	—	2008			
AVA Fort Greene	Brooklyn, NY	631	83,038	216,802	9,411	83,038	226,213	309,251	89,037	220,214	227,393	—	—	2010			
AVA DoBro	Brooklyn, NY	500	76,127	206,762	423	76,127	207,185	283,312	42,240	241,072	248,521	—	—	2017			
Avalon Willoughby Square	Brooklyn, NY	326	49,635	134,840	396	49,635	135,236	184,871	25,296	159,575	164,245	—	—	2017			
Avalon Brooklyn Bay	Brooklyn, NY	180	18,310	74,573	405	18,310	74,978	93,288	14,368	78,920	81,956	—	—	2018			
Avalon Middtown West (1)	New York, NY	550	154,730	180,253	48,724	154,730	228,977	383,707	70,922	312,785	320,012	88,300	1998/2013				
Avalon Clinton North	New York, NY	339	84,069	105,821	14,071	84,069	119,892	203,961	39,430	164,531	167,399	147,000	2008/2013				
Avalon Clinton South	New York, NY	288	71,421	89,851	8,098	71,421	97,949	169,370	33,361	136,009	138,732	121,500	2007/2013				
Total New York City, NY		3,788	\$ 537,330	\$ 1,268,895	\$ 111,492	\$ 537,330	\$ 1,380,387	\$ 1,917,717	\$ 471,286	\$ 1,446,431	\$ 1,490,267	\$ 356,800					
New York - Suburban																	
Avalon Commons	Smithtown, NY	312	\$ 4,679	\$ 28,259	\$ 10,294	\$ 4,679	\$ 38,553	\$ 43,232	\$ 27,972	\$ 15,260	\$ 14,579	\$ —	—	1997			
Avalon Green I	Elmsford, NY	105	1,820	10,525	8,236	1,820	18,761	20,581	12,493	8,088	8,408	—	—	1995			
Avalon Mamaroneck	Mamaroneck, NY	229	6,207	40,657	16,178	6,207	56,835	63,042	35,410	27,632	30,027	—	—	2000			
Avalon Melville (1)	Melville, NY	494	9,228	50,063	23,225	9,228	73,288	82,516	48,019	34,497	37,757	—	—	1997			
Avalon White Plains	White Plains, NY	407	15,391	137,312	2,510	15,391	139,822	155,213	60,602	94,611	99,236	—	—	2009			
Avalon Rockville Centre I	Rockville Centre, NY	349	32,212	78,806	7,106	32,212	85,912	118,124	31,394	86,730	89,941	—	—	2012			
Avalon Green II	Elmsford, NY	444	27,765	77,560	3,659	27,765	81,219	108,984	27,517	81,467	83,880	—	—	2012			

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			Land and improvements	Building / Construction in Progress & Improvements	Costs Subsequent to Acquisition / Construction	Land and improvements	Building / Construction in Progress & Improvements	Total	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Encumbrances	Year of Completion / Acquisition	
														Land and improvements
Avalon Garden City	Garden City, NY	204	\$ 18,205	\$ 49,326	\$ 1,101	\$ 18,205	\$ 50,427	\$ 68,632	\$ 16,632	\$ 52,000	\$ 53,587	\$ —	2013	
Avalon Ossining	Ossining, NY	168	6,392	30,313	502	6,392	30,815	37,207	8,515	28,692	29,688	—	2014	
Avalon Huntington Station	Huntington Station, NY	303	21,899	58,437	570	21,899	59,007	80,906	15,552	65,354	67,135	—	2014	
Avalon Green III	Elmsford, NY	68	4,985	17,300	162	4,985	17,462	22,447	3,760	18,687	19,346	—	2016	
Avalon Great Neck	Great Neck, NY	191	14,777	65,412	33	14,777	65,445	80,222	11,736	68,486	71,269	—	2017	
Avalon Rockville Centre II	Rockville Centre, NY	165	7,534	50,981	2	7,534	50,983	58,517	8,716	49,801	51,913	—	2017	
Avalon Somers	Somers, NY	152	5,610	40,591	24	5,610	40,615	46,225	6,779	39,446	41,054	—	2018	
Avalon Westbury	Westbury, NY	396	69,620	43,781	14,714	69,620	58,495	128,115	25,996	102,119	103,536	—	2006/2013	
Total New York - Suburban		3,987	\$ 246,324	\$ 779,323	\$ 88,316	\$ 246,324	\$ 867,639	\$ 1,113,963	\$ 341,093	\$ 772,870	\$ 801,356	\$ —		
New Jersey														
Avalon Cove	Jersey City, NJ	504	\$ 8,760	\$ 82,422	\$ 31,488	\$ 8,760	\$ 113,910	\$ 122,670	\$ 81,706	\$ 40,964	\$ 43,525	\$ —	1997	
Avalon at Edgewater I	Edgewater, NJ	168	5,982	24,389	9,676	5,982	34,065	40,047	21,245	18,802	20,203	—	2002	
Avalon at Florham Park	Florham Park, NJ	270	6,647	34,906	16,926	6,647	51,832	58,479	31,760	26,719	28,581	—	2001	
Avalon North Bergen	North Bergen, NJ	164	8,984	30,994	1,255	8,984	32,249	41,233	10,983	30,250	31,192	—	2012	
Avalon at Westmont Station I	Wood-Ridge, NJ	266	14,682	41,610	2,865	14,682	44,475	59,157	14,925	44,232	45,213	—	2012	
Avalon Hackensack at Riverside (4)	Hackensack, NJ	226	9,939	44,619	1,653	9,939	46,272	56,211	13,808	42,403	33,551	—	2013	
Avalon at Westmont Station II	Wood-Ridge, NJ	140	6,502	16,863	488	6,502	17,351	23,853	5,367	18,486	18,945	—	2013	
Avalon Bloomingdale	Bloomingdale, NJ	174	3,006	27,801	435	3,006	28,236	31,242	8,138	23,104	23,814	—	2014	
Avalon Wharton	Wharton, NJ	247	2,273	48,609	1,465	2,273	50,074	52,347	12,285	40,062	40,947	—	2015	
Avalon Bloomfield Station (2)	Bloomfield, NJ	224	10,701	36,430	147	10,701	36,577	47,278	8,630	38,648	39,918	—	2015	
Avalon Roseland	Roseland, NJ	136	11,288	34,868	141	11,288	35,009	46,297	8,291	38,006	39,184	—	2015	
Avalon Princeton	Princeton, NJ	280	26,461	68,003	799	26,461	68,802	95,263	12,914	82,349	84,921	—	2017	
Avalon Union	Union, NJ	202	11,695	36,315	99	11,695	36,414	48,109	7,771	40,338	41,666	—	2016	
Avalon Hoboken	Hoboken, NJ	217	37,237	90,278	6,779	37,237	97,057	134,294	25,636	108,658	112,056	—	2008/2016	
Avalon Maplewood	Maplewood, NJ	235	15,179	49,425	139	15,179	49,564	64,743	8,845	55,898	58,458	—	2018	
Avalon Piscataway	Piscataway, NJ	360	14,329	75,897	12	14,329	75,909	90,238	9,206	81,032	83,974	—	2019	
Avalon at Edgewater II	Edgewater, NJ	240	8,605	60,810	—	8,605	60,810	69,415	8,782	60,633	63,194	—	2018	
Total New Jersey		4,053	\$ 202,270	\$ 804,239	\$ 74,367	\$ 202,270	\$ 878,606	\$ 1,080,876	\$ 290,292	\$ 790,584	\$ 809,342	\$ —		
TOTAL METRO NY/NJ		11,828	\$ 985,924	\$ 2,852,457	\$ 274,175	\$ 985,924	\$ 3,126,632	\$ 4,112,556	\$ 1,102,671	\$ 3,009,885	\$ 3,100,965	\$ 356,800		

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			Land and improvements	Building / Construction in Progress & Improvements	Costs Subsequent to Acquisition / Construction	Land and improvements	Building / Construction in Progress & Improvements	Total	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Encumbrances			
													Land and improvements	Building / Construction in Progress & Improvements	
MID-ATLANTIC															
Washington Metro/Baltimore, MD															
Avalon at Foxhall	Washington, D.C.	308	\$ 6,848	\$ 27,614	\$ 20,906	\$ 6,848	\$ 48,520	\$ 55,368	\$ 38,110	\$ 17,258	\$ 18,453	\$ —	—	1982/1994	
Avalon at Gallery Place	Washington, D.C.	203	8,800	39,658	4,369	8,800	44,027	52,827	27,661	25,166	26,289	—	—	2003	
AVA H Street	Washington, D.C.	138	7,425	25,282	206	7,425	25,488	32,913	8,425	24,488	25,314	—	—	2013	
Avalon The Albemarle	Washington, D.C.	234	25,140	52,459	9,955	25,140	62,414	87,554	22,649	64,905	66,580	—	—	1966/2013	
eaves Tunlaw Gardens	Washington, D.C.	166	16,430	22,902	2,654	16,430	25,556	41,986	9,303	32,683	33,450	—	—	1944/2013	
The Statesman	Washington, D.C.	281	38,140	35,352	6,200	38,140	41,552	79,692	15,825	63,867	64,710	—	—	1961/2013	
eaves Glover Park	Washington, D.C.	120	9,580	26,532	2,839	9,580	29,371	38,951	10,841	28,110	28,920	—	—	1953/2013	
AVA Van Ness (1)	Washington, D.C.	269	22,890	58,691	23,142	22,890	81,833	104,723	24,882	79,841	81,329	—	—	1978/2013	
Avalon First and M	Washington, D.C.	469	43,700	153,950	4,402	43,700	158,352	202,052	50,346	151,706	156,732	—	—	2012/2013	
AVA NoMa	Washington, D.C.	438	25,246	114,933	884	25,246	115,817	141,063	22,102	118,961	123,946	—	—	2018	
eaves Washingtonian Center	North Potomac, MD	288	4,047	18,553	5,684	4,047	24,237	28,284	18,888	9,396	9,966	—	—	1996	
eaves Columbia Town Center	Columbia, MD	392	8,802	35,536	14,000	8,802	49,536	58,338	27,806	30,532	31,564	—	—	1986/1993	
Avalon at Grosvenor Station	Bethesda, MD	497	29,159	52,993	6,945	29,159	59,938	89,097	36,126	52,971	54,347	—	—	2004	
Avalon at Traville	Rockville, MD	520	14,365	55,398	7,739	14,365	63,137	77,502	38,383	39,119	41,355	—	—	2004	
AVA Wheaton	Wheaton, MD	319	6,494	69,027	95	6,494	69,122	75,616	11,705	63,911	66,576	—	—	2018	
Avalon Hunt Valley	Hunt Valley, MD	332	10,872	62,992	43	10,872	63,035	73,907	11,598	62,309	64,682	—	—	2017	
Avalon Laurel	Laurel, MD	344	10,130	61,685	86	10,130	61,771	71,901	11,961	59,940	62,170	—	—	2017	
Avalon Fairway Hills - Meadows	Columbia, MD	192	2,323	9,297	5,119	2,323	14,416	16,739	11,054	5,685	6,121	—	—	1987/1996	
Avalon Fairway Hills - Woods (1)	Columbia, MD	336	3,958	15,839	14,246	3,958	30,085	34,043	18,929	15,114	15,354	—	—	1987/1996	
Avalon Arundel Crossing	Linthicum Heights, MD	310	12,208	69,888	2,580	12,208	72,468	84,676	12,606	72,070	75,145	—	—	2018/2018	
Kanso Silver Spring	Silver Spring, MD	151	3,471	41,393	1,016	3,471	42,409	45,880	4,737	41,143	42,724	—	—	2009/2019	
Avalon Russett	Laurel, MD	238	10,200	47,524	4,665	10,200	52,189	62,389	18,723	43,666	45,018	32,200	—	1999/2013	
eaves Fair Lakes	Fairfax, VA	420	6,096	24,400	13,732	6,096	38,132	44,228	27,144	17,084	17,510	—	—	1989/1996	
eaves Fairfax City	Fairfax, VA	141	2,152	8,907	5,726	2,152	14,633	16,785	10,105	6,680	7,131	—	—	1988/1997	
Avalon Tysons Corner	Tysons Corner, VA	558	13,851	43,397	15,381	13,851	58,778	72,629	41,264	31,365	32,482	—	—	1996	
Avalon at Arlington Square	Arlington, VA	842	22,041	90,296	33,327	22,041	123,623	145,664	71,324	74,340	78,296	—	—	2001	
Avalon Park Crest	Tysons Corner, VA	354	13,554	63,526	1,148	13,554	64,674	78,228	21,088	57,140	59,222	—	—	2013	
eaves Fairfax Towers (1)	Falls Church, VA	415	17,889	74,727	15,983	17,889	108,599	123,623	32,034	76,565	79,810	—	—	1978/2011	
Avalon Mosaic	Fairfax, VA	531	33,490	75,801	472	33,490	76,273	109,763	21,584	88,179	90,752	—	—	2014	
Avalon Potomac Yard	Alexandria, VA	323	24,225	81,982	2,996	24,225	84,978	109,203	21,942	87,261	90,551	—	—	2014/2016	
Avalon Clarendon	Arlington, VA	300	22,573	95,355	9,841	22,573	105,196	127,769	25,243	102,526	106,458	—	—	2002/2016	
Avalon Columbia Pike	Arlington, VA	269	18,830	82,427	4,448	18,830	86,875	105,705	19,652	86,053	89,191	—	—	2009/2016	
Avalon Dunn Loring	Vienna, VA	440	29,377	115,465	8,235	29,377	123,700	153,077	28,138	124,939	130,459	—	—	2012/2017	

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			Building / Construction in Progress & Improvements		Costs Subsequent to Construction		Building / Construction in Progress & Improvements		Total		Total Cost, Net of Accumulated Depreciation		Encumbrances	
			Land improvements	Progress & Improvements	Acquisition / Construction	Land and improvements	Land improvements	Progress & Improvements	Land improvements	Progress & Improvements	Accumulated Depreciation	Total	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation
eaves Tysons Corner	Vienna, VA	217	\$ 16,030	\$ 45,420	\$ 3,512	\$ 16,030	\$ 48,932	\$ 64,962	\$ 18,745	\$ 46,217	\$ 47,822	\$ —	—	1980/2013
AVA Ballston Square	Arlington, VA	714	\$ 71,640	\$ 215,937	\$ 43,290	\$ 71,640	\$ 259,227	\$ 330,867	\$ 84,032	\$ 246,835	\$ 254,311	\$ —	—	1992/2013
Avalon Courthouse Place	Arlington, VA	564	\$ 56,550	\$ 178,032	\$ 15,783	\$ 56,550	\$ 193,815	\$ 250,365	\$ 64,153	\$ 186,212	\$ 189,316	\$ —	—	1999/2013
Avalon Arlington North (1)	Arlington, VA	228	\$ 21,600	\$ 59,076	\$ 2,035	\$ 21,600	\$ 61,111	\$ 82,711	\$ 17,227	\$ 65,484	\$ 66,951	\$ —	—	2014
Avalon Reston Landing	Reston, VA	400	\$ 26,710	\$ 83,084	\$ 11,692	\$ 26,710	\$ 94,776	\$ 121,486	\$ 35,119	\$ 86,367	\$ 87,262	\$ —	—	2000/2013
Avalon Falls Church	Falls Church, VA	384	\$ 39,544	\$ 66,160	\$ 128	\$ 39,544	\$ 66,288	\$ 105,832	\$ 15,780	\$ 90,052	\$ 92,531	\$ —	—	2016
TOTAL MID-ATLANTIC		13,645	\$ 756,380	\$ 2,501,490	\$ 325,504	\$ 756,380	\$ 2,826,994	\$ 3,583,374	\$ 1,007,234	\$ 2,576,140	\$ 2,660,800	\$ 32,200		
DENVER, CO														
Avalon Denver West	Lakewood, CO	252	\$ 8,047	\$ 67,861	\$ 2,296	\$ 8,047	\$ 70,157	\$ 78,204	\$ 14,211	\$ 63,993	\$ 66,566	\$ —	—	2016/2017
Avalon Meadows at Castle Rock	Castle Rock, CO	240	\$ 8,527	\$ 64,565	\$ 1,062	\$ 8,527	\$ 65,627	\$ 74,154	\$ 10,213	\$ 63,941	\$ 66,730	\$ —	—	2018/2018
Avalon Red Rocks	Littleton, CO	256	\$ 4,461	\$ 70,103	\$ 1,553	\$ 4,461	\$ 71,656	\$ 76,117	\$ 11,586	\$ 64,531	\$ 67,742	\$ —	—	2018/2018
Avalon Southlands	Aurora, CO	338	\$ 5,101	\$ 85,184	\$ 1,675	\$ 5,101	\$ 86,859	\$ 91,960	\$ 12,771	\$ 79,189	\$ 83,056	\$ —	—	2018/2019
TOTAL DENVER, CO		1,086	\$ 26,136	\$ 287,713	\$ 6,586	\$ 26,136	\$ 294,299	\$ 320,435	\$ 48,781	\$ 271,654	\$ 284,094	\$ —		
SOUTHEAST FLORIDA														
Avalon 850 Boca	Boca Raton, FL	370	\$ 21,430	\$ 114,085	\$ 4,860	\$ 21,430	\$ 118,945	\$ 140,375	\$ 22,405	\$ 117,970	\$ 122,060	\$ —	—	2017/2017
Avalon West Palm Beach	West Palm Beach, FL	290	\$ 9,597	\$ 90,950	\$ 3,928	\$ 9,597	\$ 94,878	\$ 104,475	\$ 14,739	\$ 89,736	\$ 92,899	\$ —	—	2018/2018
Avalon Bonterra	Hialeah, FL	314	\$ 16,655	\$ 70,822	\$ 2,919	\$ 16,655	\$ 73,741	\$ 90,396	\$ 10,811	\$ 79,585	\$ 82,625	\$ —	—	2018/2019
Avalon Toscana	Margate, FL	240	\$ 9,213	\$ 49,705	\$ 1,835	\$ 9,213	\$ 51,540	\$ 60,753	\$ 6,049	\$ 54,704	\$ 56,541	\$ —	—	2016/2019
TOTAL SOUTHEAST FLORIDA		1,214	\$ 56,895	\$ 325,562	\$ 13,542	\$ 56,895	\$ 339,104	\$ 395,999	\$ 54,004	\$ 341,995	\$ 354,125	\$ —		
PACIFIC NORTHWEST														
Seattle, WA														
Avalon at Bear Creek	Redmond, WA	264	\$ 6,786	\$ 27,641	\$ 6,511	\$ 6,786	\$ 34,152	\$ 40,938	\$ 26,387	\$ 14,551	\$ 15,204	\$ —	—	1998/1998
Avalon Bellevue	Bellevue, WA	201	\$ 6,664	\$ 24,119	\$ 4,301	\$ 6,664	\$ 28,420	\$ 35,084	\$ 19,452	\$ 15,632	\$ 15,672	\$ —	—	2001
Avalon RockMeadow	Bothell, WA	206	\$ 4,777	\$ 19,765	\$ 3,958	\$ 4,777	\$ 23,723	\$ 28,500	\$ 17,364	\$ 11,136	\$ 11,978	\$ —	—	2000/2000
Avalon ParcSquare	Redmond, WA	124	\$ 3,789	\$ 15,139	\$ 4,401	\$ 3,789	\$ 19,540	\$ 23,329	\$ 13,746	\$ 9,583	\$ 9,932	\$ —	—	2000/2000
AVA Belltown	Seattle, WA	100	\$ 5,644	\$ 12,733	\$ 2,001	\$ 5,644	\$ 14,734	\$ 20,378	\$ 9,974	\$ 10,404	\$ 10,283	\$ —	—	2001
Avalon Meydenbauer	Bellevue, WA	368	\$ 12,697	\$ 77,450	\$ 5,253	\$ 12,697	\$ 82,703	\$ 95,400	\$ 38,325	\$ 57,075	\$ 58,959	\$ —	—	2008
Avalon Towers Bellevue (3)	Bellevue, WA	397	\$ —	\$ 123,029	\$ 2,426	\$ —	\$ 125,455	\$ 125,455	\$ 49,144	\$ 76,311	\$ 80,021	\$ —	—	2011
AVA Queen Anne	Seattle, WA	203	\$ 12,081	\$ 41,618	\$ 1,333	\$ 12,081	\$ 42,951	\$ 55,032	\$ 15,049	\$ 39,983	\$ 41,139	\$ —	—	2012
AVA Ballard	Seattle, WA	265	\$ 16,460	\$ 46,926	\$ 1,347	\$ 16,460	\$ 48,273	\$ 64,733	\$ 15,430	\$ 49,303	\$ 50,836	\$ —	—	2013
Avalon Alderwood I	Lynnwood, WA	367	\$ 12,294	\$ 55,627	\$ 100	\$ 12,294	\$ 55,727	\$ 68,021	\$ 14,671	\$ 53,350	\$ 55,272	\$ —	—	2015
AVA Capitol Hill	Seattle, WA	249	\$ 20,613	\$ 59,986	\$ 1,510	\$ 20,613	\$ 61,496	\$ 82,109	\$ 13,826	\$ 68,283	\$ 70,636	\$ —	—	2016
Avalon Esterra Park	Redmond, WA	482	\$ 23,178	\$ 112,986	\$ 1,348	\$ 23,178	\$ 114,334	\$ 137,512	\$ 21,967	\$ 115,545	\$ 119,784	\$ —	—	2017

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			Initial Cost			Total Cost			Initial Cost			Total Cost			Total Cost, Net of Accumulated Depreciation	Encumbrances	Year of Completion/Acquisition
			Land and improvements	Building/Construction in Progress & Improvements	Costs Subsequent to Acquisition/Construction	Land and improvements	Building/Construction in Progress & Improvements	Costs Subsequent to Acquisition/Construction	Land and improvements	Building/Construction in Progress & Improvements	Costs Subsequent to Acquisition/Construction	Land and improvements	Building/Construction in Progress & Improvements	Costs Subsequent to Acquisition/Construction			
Avalon Alderwood II	Redmond, WA	124	\$ 5,072	\$ 21,418	\$ 14	\$ 5,072	\$ 21,432	\$ 26,504	\$ 4,135	\$ 22,369	\$ 23,127	\$	—	2016			
Avalon Newcastle Commons I	Newcastle, WA	378	9,649	112,456	1,049	9,649	113,505	123,154	18,081	105,073	108,810	—	—	2017			
AVA Esterra Park	Redmond, WA	323	16,405	74,569	—	16,405	74,569	90,974	8,161	82,813	85,845	—	—	2019			
Archstone Redmond Lakeview	Redmond, WA	166	10,250	26,842	5,216	10,250	32,058	42,308	12,677	29,631	30,217	—	—	1987/2013			
TOTAL PACIFIC NORTHWEST		4,217	\$ 166,359	\$ 852,304	\$ 40,768	\$ 166,359	\$ 893,072	\$ 1,059,431	\$ 298,389	\$ 761,042	\$ 787,715	\$	—				
NORTHERN CALIFORNIA																	
San Jose, CA																	
Avalon Campbell	Campbell, CA	348	\$ 11,830	\$ 47,828	\$ 14,961	\$ 11,830	\$ 62,789	\$ 74,619	\$ 44,026	\$ 30,593	\$ 32,377	\$	—	1995			
eaves San Jose	San Jose, CA	442	12,920	53,047	20,013	12,920	73,060	85,980	45,811	40,169	42,111	—	—	1985/1996			
Avalon on the Alameda	San Jose, CA	305	6,119	50,225	13,878	6,119	64,103	70,222	43,915	26,307	28,113	—	—	1999			
Avalon Silicon Valley	Sunnyvale, CA	712	20,713	99,573	36,482	20,713	136,055	156,768	90,737	66,031	69,922	—	—	1998			
Avalon Mountain View	Mountain View, CA	248	9,755	39,393	12,770	9,755	52,163	61,918	37,632	24,286	25,477	—	—	1986			
eaves Creekside	Mountain View, CA	296	6,546	26,263	22,103	6,546	48,366	54,912	32,434	22,478	23,859	—	—	1962/1997			
Avalon at Cahill Park	San Jose, CA	218	4,765	47,600	4,204	4,765	51,804	56,569	33,516	23,053	24,035	—	—	2002			
Avalon Towers on the Peninsula	Mountain View, CA	211	9,560	56,136	14,806	9,560	70,942	80,502	41,731	38,771	41,194	—	—	2002			
Avalon Morrison Park	San Jose, CA	250	13,837	64,534	965	13,837	65,499	79,336	18,220	61,116	63,019	—	—	2014			
Avalon Willow Glen	San Jose, CA	412	46,060	81,957	7,615	46,060	89,572	135,632	33,991	101,641	105,215	—	—	2002/2013			
eaves West Valley	San Jose, CA	873	90,890	132,040	14,375	90,890	146,415	237,305	53,782	183,523	188,220	—	—	1970/2013			
eaves Mountain View at Middlefield	Mountain View, CA	402	64,070	69,018	15,706	64,070	84,724	148,794	32,319	116,475	118,876	—	—	1969/2013			
Total San Jose, CA		4,717	\$ 297,065	\$ 767,614	\$ 177,878	\$ 297,065	\$ 945,492	\$ 1,242,557	\$ 508,114	\$ 734,443	\$ 762,418	\$	—				
Oakland - East Bay, CA																	
Avalon Fremont (1)	Fremont, CA	308	\$ 10,746	\$ 43,399	\$ 20,895	\$ 10,746	\$ 64,294	\$ 75,040	\$ 41,238	\$ 33,802	\$ 26,076	\$	—	1992/1994			
eaves Dublin	Dublin, CA	204	5,276	19,642	12,898	5,276	32,540	37,816	22,253	15,563	16,204	—	—	1989/1997			
eaves Pleasanton (1)	Pleasanton, CA	456	11,610	46,552	28,665	11,610	75,217	86,827	49,131	37,696	34,590	—	—	1988/1994			
eaves Union City	Union City, CA	208	4,249	16,820	4,430	4,249	21,250	25,499	16,773	8,726	9,318	—	—	1973/1996			
eaves Fremont	Fremont, CA	235	6,581	26,583	11,328	6,581	37,911	44,492	27,572	16,920	17,641	—	—	1985/1994			
Avalon Union City	Union City, CA	439	14,732	104,024	3,635	14,732	107,659	122,391	45,362	77,029	79,035	—	—	2009			
Avalon Walnut Creek (3)	Walnut Creek, CA	422	—	148,846	5,845	—	154,691	154,691	60,751	93,940	99,738	4,161	2010				
Avalon Dublin Station	Dublin, CA	253	7,772	72,142	1,153	7,772	73,295	81,067	20,162	60,905	63,419	—	—	2014			
Avalon Dublin Station II	Dublin, CA	252	7,762	76,587	345	7,762	76,932	84,694	15,697	68,997	71,719	—	—	2016			
eaves Walnut Creek	Walnut Creek, CA	510	30,320	82,375	17,731	30,320	100,106	130,426	34,225	96,201	99,627	—	—	1987/2013			
Avalon Walnut Ridge I	Walnut Creek, CA	106	9,860	19,850	5,790	9,860	25,640	35,500	8,633	26,867	27,441	—	—	2000/2013			
Avalon Walnut Ridge II	Walnut Creek, CA	360	27,190	57,041	13,920	27,190	70,961	98,151	24,762	73,389	76,041	—	—	1989/2013			
Avalon Berkeley	Berkeley, CA	94	4,500	28,689	78	4,500	28,767	33,267	7,490	25,777	26,752	—	—	2014			
Total Oakland - East Bay, CA		3,847	\$ 140,598	\$ 742,550	\$ 126,713	\$ 140,598	\$ 869,263	\$ 1,009,861	\$ 374,049	\$ 635,812	\$ 647,601	\$	4,161				

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			Land and improvements	Building / Construction in Progress & Improvements	Costs Subsequent to Acquisition / Construction	Land and improvements	Building / Construction in Progress & Improvements	Total	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Encumbrances	Year of Completion / Acquisition	Total Cost, Net of Accumulated Depreciation	Encumbrances
San Francisco, CA														
eaves Daly City	Daly City, CA	195	\$ 4,230	\$ 9,659	\$ 21,046	\$ 4,230	\$ 30,705	\$ 34,935	\$ 22,305	\$ 12,630	\$ 13,645	\$ —	1972/1997	
AVA Nob Hill	San Francisco, CA	185	5,403	21,567	10,054	5,403	31,621	37,024	21,638	15,386	15,152	—	1990/1995	
eaves Foster City	Foster City, CA	288	7,852	31,445	13,338	7,852	44,783	52,635	32,013	20,622	22,074	—	1973/1994	
eaves Pacifica	Pacifica, CA	220	6,125	24,796	4,711	6,125	29,507	35,632	23,101	12,531	13,509	—	1971/1995	
Avalon Sunset Towers	San Francisco, CA	243	3,561	21,321	16,837	3,561	38,158	41,719	25,333	16,386	17,689	—	1961/1996	
Avalon at Mission Bay I	San Francisco, CA	250	14,029	78,452	9,338	14,029	87,790	101,819	55,671	46,148	49,567	—	2003	
Avalon at Mission Bay III	San Francisco, CA	260	28,687	119,156	879	28,687	120,035	148,722	51,009	97,713	101,615	—	2009	
Avalon Ocean Avenue	San Francisco, CA	173	5,544	50,906	2,527	5,544	53,433	58,977	18,068	40,909	42,449	—	2012	
AVA 55 Ninth	San Francisco, CA	273	20,267	97,321	1,268	20,267	98,589	118,856	27,297	91,559	94,980	—	2014	
Avalon Hayes Valley	San Francisco, CA	182	12,595	81,228	203	12,595	81,431	94,026	19,639	74,387	77,231	—	2015	
Avalon Dogpatch	San Francisco, CA	326	23,523	180,698	232	23,523	180,930	204,453	27,301	177,152	184,327	—	2018	
Avalon San Bruno I	San Bruno, CA	300	40,780	68,684	7,448	40,780	76,132	116,912	27,733	89,179	91,800	62,350	2004/2013	
Avalon San Bruno II	San Bruno, CA	185	23,787	44,934	2,769	23,787	47,703	71,490	15,744	55,746	57,304	—	2007/2013	
Avalon San Bruno III	San Bruno, CA	187	33,303	62,910	3,318	33,303	66,228	99,531	22,003	77,528	79,660	51,000	2010/2013	
Total San Francisco, CA		3,267	\$ 229,686	\$ 893,077	\$ 93,968	\$ 229,686	\$ 987,045	\$ 1,216,731	\$ 388,855	\$ 827,876	\$ 861,002	\$ 113,350		
TOTAL NORTHERN CALIFORNIA														
		11,831	\$ 667,349	\$ 2,403,241	\$ 398,559	\$ 667,349	\$ 2,801,800	\$ 3,469,149	\$ 1,271,018	\$ 2,198,131	\$ 2,271,021	\$ 117,511		
SOUTHERN CALIFORNIA														
Los Angeles, CA														
AVA Burbank	Burbank, CA	748	\$ 22,483	\$ 28,104	\$ 53,051	\$ 22,483	\$ 81,155	\$ 103,638	\$ 51,937	\$ 51,701	\$ 53,182	\$ —	1961/1997	
Avalon Woodland Hills (1)	Woodland Hills, CA	663	23,828	40,372	59,677	23,828	100,049	123,877	58,908	64,969	61,517	—	1989/1997	
eaves Warner Center	Woodland Hills, CA	227	7,045	12,986	12,595	7,045	25,581	32,626	19,647	12,979	13,743	—	1979/1998	
Avalon Glendale (3)	Glendale, CA	223	—	42,564	3,062	—	45,626	45,626	28,549	17,077	18,543	—	2003	
Avalon Burbank	Burbank, CA	400	14,053	56,827	27,370	14,053	84,197	98,250	49,108	49,142	51,168	—	1988/2002	
Avalon Camarillo	Camarillo, CA	249	8,446	40,290	3,131	8,446	43,421	51,867	23,030	28,837	30,389	—	2006	
Avalon Wilshire	Los Angeles, CA	123	5,459	41,182	5,935	5,459	47,117	52,576	23,132	29,444	31,487	—	2007	
Avalon Encino	Encino, CA	131	12,789	49,073	1,744	12,789	50,817	63,606	22,953	40,653	42,003	—	2008	
Avalon Warner Place	Canoga Park, CA	210	7,920	44,845	2,546	7,920	47,391	55,311	21,563	33,748	34,119	—	2008	
AVA Little Tokyo	Los Angeles, CA	280	14,734	94,001	1,883	14,734	95,884	110,618	24,935	85,683	89,164	—	2015	
eaves Phillips Ranch	Pomona, CA	503	9,796	41,740	6,373	9,796	48,113	57,909	18,107	39,802	40,027	—	1989/2011	
eaves San Dimas	San Dimas, CA	102	1,916	7,819	1,924	1,916	9,743	11,659	3,969	7,690	7,893	—	1978/2011	
eaves San Dimas Canyon	San Dimas, CA	156	2,953	12,428	1,537	2,953	13,965	16,918	5,431	11,487	11,731	—	1981/2011	
AVA Pasadena	Pasadena, CA	84	8,400	11,547	6,176	8,400	17,723	26,123	5,745	20,378	20,862	—	1973/2012	
eaves Cerritos	Artesia, CA	151	8,305	21,195	1,932	8,305	23,127	31,432	7,633	23,799	24,473	—	1973/2012	

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			Building / Construction in Progress & Improvements		Costs Subsequent to Construction / Acquisition		Building / Construction in Progress & Improvements		Total		Total Cost, Net of Accumulated Depreciation		Total Cost, Net of Accumulated Depreciation			Encumbrances
			Land improvements	Land and improvements	Acquisition / Construction	Subsequent to Construction	Land and improvements	Progress & Improvements	Total	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation			
Avalon Playa Vista	Los Angeles, CA	309	\$ 30,900	\$ 72,008	\$ 7,926	\$ 30,900	\$ 79,934	\$ 110,834	\$ 27,492	\$ 83,342	\$ 86,393	\$ —	\$ —	2006/2012		
Avalon San Dimas	San Dimas, CA	156	9,141	30,726	133	9,141	30,859	40,000	8,340	31,660	32,780	—	—	2014		
Avalon Glendora	Glendora, CA	280	18,311	64,303	544	18,311	64,847	83,158	14,600	68,558	70,990	—	—	2016		
Avalon West Hollywood	West Hollywood, CA	294	35,214	119,105	1,818	35,214	120,923	156,137	21,037	135,100	139,902	—	—	2017		
Avalon Mission Oaks	Camarillo, CA	160	9,600	37,602	1,773	9,600	39,375	48,975	11,723	37,252	38,651	—	—	2014		
Avalon Chino Hills	Chino Hills, CA	331	16,617	79,829	110	16,617	79,939	96,556	13,762	82,794	85,630	—	—	2017		
AVA North Hollywood	North Hollywood, CA	156	18,408	52,280	2,054	18,408	54,334	72,742	12,185	60,557	62,674	—	—	2015/2016		
Avalon Cerritos	Cerritos, CA	132	8,869	51,452	724	8,869	52,176	61,045	6,229	54,816	56,826	30,250	—	2017/2019		
Avalon Simi Valley	Simi Valley, CA	500	42,020	73,361	9,214	42,020	82,575	124,595	28,956	95,639	95,977	—	—	2007/2013		
AVA Studio City II	Studio City, CA	101	4,626	22,954	7,892	4,626	30,846	35,472	10,053	25,419	26,537	—	—	1991/2013		
Avalon Studio City	Studio City, CA	276	15,756	78,178	18,815	15,756	96,993	112,749	32,673	80,076	84,386	—	—	2002/2013		
Avalon Calabasas	Calabasas, CA	600	42,720	107,642	24,105	42,720	131,747	174,467	52,984	121,483	127,837	—	—	1988/2013		
Avalon Oak Creek	Agoura Hills, CA	336	43,540	79,974	7,481	43,540	87,455	130,995	36,802	94,193	97,655	—	—	2004/2013		
Avalon Santa Monica on Main	Santa Monica, CA	133	32,000	60,770	14,821	32,000	75,591	107,591	24,484	83,107	85,032	—	—	2007/2013		
Avalon Del Mar Station	Pasadena, CA	347	20,560	106,556	4,605	20,560	111,161	131,721	35,802	95,919	99,432	—	—	2006/2013		
eaves Old Town Pasadena	Pasadena, CA	96	9,110	15,371	7,315	9,110	22,686	31,796	7,746	24,050	24,914	—	—	1972/2013		
eaves Thousand Oaks	Thousand Oaks, CA	154	13,950	20,211	5,509	13,950	25,720	39,670	11,314	28,356	29,475	—	—	1992/2013		
eaves Los Feliz	Los Angeles, CA	263	18,940	43,661	13,410	18,940	57,071	76,011	19,234	56,777	58,685	41,400	—	1989/2013		
AVA Toluca Hills	Los Angeles, CA	1,151	86,450	161,256	90,853	86,450	252,109	338,559	76,300	262,259	270,938	—	—	1973/2013		
eaves Woodland Hills	Woodland Hills, CA	883	68,940	90,549	21,149	68,940	111,698	180,638	43,653	136,985	138,762	111,500	—	1971/2013		
Avalon Thousand Oaks Plaza	Thousand Oaks, CA	148	12,810	22,581	3,122	12,810	25,703	38,513	10,193	28,320	28,867	—	—	2002/2013		
Avalon Pasadena	Pasadena, CA	120	10,240	31,558	6,809	10,240	38,367	48,607	12,747	35,860	37,199	—	—	2004/2013		
AVA Studio City I	Studio City, CA	450	17,658	90,715	37,065	17,658	127,780	145,438	39,562	105,876	110,132	—	—	1987/2013		
Total Los Angeles, CA		11,626	\$ 734,507	\$ 2,057,615	\$ 476,183	\$ 734,507	\$ 2,533,798	\$ 3,268,305	\$ 922,518	\$ 2,345,787	\$ 2,419,975	\$ 183,150	\$ —			
Orange County, CA																
AVA Newport	Costa Mesa, CA	145	\$ 1,975	\$ 3,814	\$ 10,088	\$ 1,975	\$ 13,902	\$ 15,877	\$ 8,877	\$ 7,000	\$ 7,414	\$ —	\$ —	1956/1996		
eaves Mission Viejo	Mission Viejo, CA	166	2,517	9,257	4,893	2,517	14,150	16,667	10,952	5,715	5,915	—	—	1984/1996		
eaves South Coast	Costa Mesa, CA	258	4,709	16,063	14,097	4,709	30,160	34,869	20,986	13,883	14,680	—	—	1973/1996		
eaves Santa Margarita	Rancho Santa Margarita, CA	301	4,607	16,911	12,820	4,607	29,731	34,338	20,129	14,209	14,484	—	—	1990/1997		
eaves Huntington Beach	Huntington Beach, CA	304	4,871	19,745	12,109	4,871	31,854	36,725	24,699	12,026	12,614	—	—	1971/1997		
Avalon Irvine I	Irvine, CA	279	9,911	67,520	3,922	9,911	71,442	81,353	29,547	51,806	53,014	—	—	2010		
Avalon Irvine II	Irvine, CA	179	4,358	40,905	534	4,358	41,439	45,797	13,049	32,748	34,048	—	—	2013		
eaves Lake Forest	Lake Forest, CA	225	5,199	21,134	4,909	5,199	26,043	31,242	10,067	21,175	21,816	—	—	1975/2011		
Avalon Baker Ranch	Lake Forest, CA	430	31,689	98,004	516	31,689	98,520	130,209	23,819	106,390	109,585	—	—	2015		
Avalon Irvine III	Irvine, CA	156	11,607	43,973	66	11,607	44,039	55,646	9,274	46,372	47,982	—	—	2016		
eaves Seal Beach (1)	Seal Beach, CA	549	46,790	99,999	37,744	46,790	137,743	184,533	41,799	142,734	147,985	—	—	1971/2013		

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			Initial Cost			Total Cost			Total Cost, Net of Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Encumbrances	Year of Completion/Acquisition		
			Land and improvements	Building / Construction in Progress & Improvements	Costs Subsequent to Acquisition / Construction	Land and improvements	Building / Construction in Progress & Improvements	Total					Accumulated Depreciation	Encumbrances
Avalon Huntington Beach	Huntington Beach, CA	378	\$ 13,055	\$ 105,981	\$ 726	\$ 13,055	\$ 106,707	\$ 119,762	\$ 20,347	\$ 99,415	\$ 103,010	\$ —	—	2017
Total Orange County, CA		3,370	\$ 141,288	\$ 543,306	\$ 102,424	\$ 141,288	\$ 645,730	\$ 787,018	\$ 233,545	\$ 553,473	\$ 572,547	\$ —	—	—
San Diego, CA														
AVA Pacific Beach	San Diego, CA	564	\$ 9,922	\$ 40,580	\$ 42,944	\$ 9,922	\$ 83,524	\$ 93,446	\$ 52,968	\$ 40,478	\$ 43,072	\$ —	—	1969/1997
eaves Mission Ridge	San Diego, CA	200	2,710	10,924	13,723	2,710	24,647	27,357	18,586	8,771	9,622	—	—	1960/1997
eaves San Marcos	San Marcos, CA	184	3,277	13,385	5,767	3,277	19,152	22,429	6,397	16,032	16,215	—	—	1988/2011
eaves Rancho Penasquitos	San Diego, CA	250	6,692	27,143	8,490	6,692	35,633	42,325	12,724	29,601	28,631	—	—	1986/2011
Avalon Vista	Vista, CA	221	12,689	43,328	800	12,689	44,128	56,817	10,802	46,015	47,402	—	—	2015
eaves La Mesa	La Mesa, CA	168	9,490	28,482	3,907	9,490	32,389	41,879	13,188	28,691	29,644	—	—	1989/2013
Avalon La Jolla Colony	San Diego, CA	180	16,760	27,694	12,386	16,760	40,080	56,840	14,524	42,316	43,561	—	—	1987/2013
Total San Diego, CA		1,767	\$ 61,540	\$ 191,536	\$ 88,017	\$ 61,540	\$ 279,553	\$ 341,093	\$ 129,189	\$ 211,904	\$ 218,147	\$ —	—	—
TOTAL SOUTHERN CALIFORNIA			\$ 937,335	\$ 2,792,457	\$ 666,624	\$ 937,335	\$ 3,459,081	\$ 4,396,416	\$ 1,285,252	\$ 3,111,164	\$ 3,210,669	\$ 183,150	—	—
TOTAL SAME STORE			\$ 3,972,708	\$ 14,015,659	\$ 2,136,576	\$ 3,972,708	\$ 16,152,235	\$ 20,124,943	\$ 5,896,032	\$ 14,228,911	\$ 14,699,288	\$ 770,431	—	—

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Community	City and state	# of homes	2021				2020				2021				
			Initial Cost		Total Cost		2020		2021		2020		2021		
			Land and improvements	Building / Construction in Progress & Improvements	Costs Subsequent to Construction	Building / Construction in Progress & Improvements	Land and improvements	Building / Construction in Progress & Improvements	Accumulated Depreciation	Total	Accumulated Depreciation	Total	Accumulated Depreciation	Total	Encumbrances
OTHER STABILIZED															
Avalon Public Market (2)	Emeryville, CA	289	\$ 27,394	\$ 143,465	\$ 211	\$ 27,394	\$ 143,676	\$ 10,731	\$ 171,070	\$ 10,731	\$ 160,339	\$ 165,207	\$ —	—	2020
Avalon Fort Lauderdale	Fort Lauderdale, FL	243	20,029	121,879	6,613	20,029	128,492	1,882	148,521	1,882	146,639	—	—	2021	
Avalon Miramar	Miramar, FL	380	17,959	109,954	5,387	17,959	115,341	2,173	133,300	2,173	131,127	—	—	2021	
Avalon Saugus	Saugus, MA	280	17,805	72,545	1,070	17,805	73,615	7,225	91,420	7,225	84,195	86,968	—	2019	
Avalon Norwood	Norwood, MA	198	9,445	51,095	934	9,445	52,029	4,502	61,474	4,502	56,972	58,949	—	2020	
Avalon Arundel Crossing East	Linthicum Heights, MD	384	9,933	108,703	2,283	9,933	110,986	5,890	120,919	5,890	115,029	—	—	2021	
Hub South End	Charlotte, NC	265	13,723	87,606	2,526	13,723	90,132	2,120	103,855	2,120	101,735	—	—	2021	
Three30Five	Charlotte, NC	164	9,367	43,460	664	9,367	44,124	824	53,491	824	52,667	—	—	2021	
Hawk (2)	Charlotte, NC	71	2,564	43,826	223	2,564	44,049	98	46,613	98	46,515	—	—	2021	
Avalon Princeton Junction	West Windsor, NJ	512	5,585	21,752	28,960	5,585	50,712	33,535	56,297	33,535	22,762	22,874	—	1988/1993	
Avalon West Long Branch (5)	West Long Branch, NJ	180	2,721	22,925	530	2,721	23,455	9,111	26,176	9,111	17,065	17,691	—	2011	
Avalon Boonton	Boonton, NJ	350	3,595	89,407	12	3,595	89,419	8,762	93,014	8,762	84,252	87,306	—	2019	
Avalon Teaneck	Teaneck, NJ	248	12,588	60,086	—	12,588	60,086	5,346	72,674	5,346	67,328	69,600	—	2020	
Avalon Lakeside	Flower Mound, TX	425	15,073	97,338	4,854	15,073	102,192	4,386	117,265	4,386	112,879	—	—	2021	
Avalon Belltown Towers	Seattle, WA	274	24,638	121,064	1,340	24,638	122,404	11,705	147,042	11,705	135,337	140,188	—	2019	
Avalon North Creek	Bothell, WA	316	13,498	69,004	—	13,498	69,004	6,459	82,502	6,459	76,043	78,855	—	2020	
eaves Redmond Campus	Redmond, WA	374	15,665	80,985	32,986	15,665	113,971	38,601	129,636	38,601	91,035	109,602	—	1991/2013	
The Park Loggia Commercial (7)	New York, NY	N/A	77,392	76,533	1,283	77,392	77,816	6,245	155,208	6,245	148,963	149,987	—	N/A	
TOTAL OTHER STABILIZED		4,953	\$ 298,974	\$ 1,421,627	\$ 89,876	\$ 298,974	\$ 1,511,503	\$ 159,595	\$ 1,810,477	\$ 159,595	\$ 1,650,882	\$ 987,227	\$ —		
LEASE-UP															
AVA Hollywood at La Pietra Place	Hollywood, CA	695	\$ 99,309	\$ 271,881	\$ 95	\$ 99,309	\$ 271,976	\$ 16,183	\$ 371,285	\$ 16,183	\$ 355,102	\$ 363,734	\$ —	2021	
Avalon Walnut Creek II (3)	Walnut Creek, CA	200	—	112,716	255	—	112,971	5,547	112,971	5,547	107,424	109,501	—	2020	
Avalon Monrovia	Monrovia, CA	154	12,125	56,082	174	12,125	56,256	1,112	68,381	1,112	67,269	46,571	—	2021	
Avalon Doral	Doral, FL	350	21,892	92,894	—	21,892	92,894	4,164	114,786	4,164	110,622	109,321	—	2020	
Avalon Acton II	Acton, MA	86	1,720	29,294	—	1,720	29,294	1,277	31,014	1,277	29,737	28,803	—	2021	
Avalon Marlborough II	Marlborough, MA	123	5,523	36,381	—	5,523	36,381	1,747	41,904	1,747	40,157	39,790	—	2020	
Avalon Easton II	Easton, MA	44	568	13,551	—	568	13,551	87	14,119	87	14,032	2,589	—	2021	
Kanso Twinbrook	Rockville, MD	238	9,147	56,631	—	9,147	56,631	1,920	65,778	1,920	63,858	58,348	—	2021	
Avalon Towson	Towson, MD	371	12,889	97,898	—	12,889	97,898	5,679	110,787	5,679	105,108	106,488	—	2020	
Avalon 555 President	Baltimore, MD	400	13,150	119,913	5	13,150	119,918	4,241	133,068	4,241	128,827	125,721	—	2021	
Avalon Old Bridge	Old Bridge, NJ	252	6,893	64,922	10	6,893	64,932	2,601	71,825	2,601	69,224	63,053	—	2021	
Avalon Yonkers	Yonkers, NY	590	28,098	187,557	—	28,098	187,557	9,650	215,655	9,650	206,005	202,661	—	2021	

AVALONBAY COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
December 31, 2021
(Dollars in thousands)

Community	City and state	# of homes	2021				2020				2021			
			Initial Cost		Total Cost		Total Cost, Net of Accumulated Depreciation		Total Cost, Net of Accumulated Depreciation		Total Cost, Net of Accumulated Depreciation		Total Cost, Net of Accumulated Depreciation	
			Land and improvements	Building / Construction in Progress & Improvements	Costs Subsequent to Acquisition / Construction	Land and improvements	Building / Construction in Progress & Improvements	Total	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Accumulated Depreciation	Total Cost, Net of Accumulated Depreciation	Encumbrances	Year of Completion / Acquisition
Avalon Newcastle Commons II	Newcastle, WA	293	\$ 6,976	\$ 98,940	\$ 145	\$ 6,976	\$ 99,085	\$ 106,061	\$ 2,792	\$ 103,269	\$ 99,669	\$ —	2021	
TOTAL LEASE-UP		3,796	\$ 218,290	\$ 1,238,660	\$ 684	\$ 218,290	\$ 1,239,344	\$ 1,457,634	\$ 57,000	\$ 1,400,634	\$ 1,356,249	\$ —		
REDEVELOPMENT														
AVA Ballston	Arlington, VA	344	\$ 7,291	\$ 29,177	\$ 24,773	\$ 7,291	\$ 53,950	\$ 61,241	\$ 35,433	\$ 25,808	\$ 21,885	\$ —	1990	
TOTAL REDEVELOPMENT		344	\$ 7,291	\$ 29,177	\$ 24,773	\$ 7,291	\$ 53,950	\$ 61,241	\$ 35,433	\$ 25,808	\$ 21,885	\$ —		
TOTAL CURRENT COMMUNITIES (6)		79,213	\$ 4,497,263	\$ 16,705,123	\$ 2,251,909	\$ 4,497,263	\$ 18,957,032	\$ 23,454,295	\$ 6,148,060	\$ 17,306,235	\$ 17,064,649	\$ 770,431		
DEVELOPMENT (6)														
Avalon Brea Place	Brea, CA	653	\$ 31,037	\$ 92,066	\$ 154,265	\$ 31,037	\$ 246,331	\$ 277,368	\$ 1,536	\$ 275,832	\$ 202,845	\$ —	N/A	
Avalon West Dublin	Dublin, CA	499	—	—	55,994	—	55,994	55,994	—	55,994	—	—	N/A	
AVA RiNo	Denver, CO	246	4,560	21,636	53,225	4,560	74,861	79,421	—	79,421	49,279	—	N/A	
Avalon Westminster Promenade	Denver, CO	312	—	—	22,949	—	22,949	22,949	—	22,949	—	—	N/A	
Avalon Merrick Park	Miami, FL	254	—	—	42,274	—	42,274	42,274	—	42,274	—	—	N/A	
Avalon Woburn	Woburn, MA	350	10,783	49,546	54,703	10,783	104,249	115,032	496	114,536	67,902	—	N/A	
Avalon North Andover	North Andover, MA	170	—	—	22,363	—	22,363	22,363	—	22,363	—	—	N/A	
Avalon Brighton	Boston, MA	180	—	—	29,586	—	29,586	29,586	—	29,586	—	—	N/A	
Avalon Foundry Row	Owings Mill, MD	437	9,596	76,717	5,572	9,596	82,289	91,885	1,408	90,477	79,238	—	N/A	
Avalon Montville	Montville, NJ	350	—	—	16,790	—	16,790	16,790	—	16,790	—	—	N/A	
Avalon Somerville Station (2)	Somerville, NJ	375	—	—	52,998	—	52,998	52,998	—	52,998	25,385	—	N/A	
Avalon Princeton Circle	Princeton, NJ	221	—	—	16,521	—	16,521	16,521	—	16,521	—	—	N/A	
Avalon Harrison	Harrison, NY	143	3,305	18,022	43,024	3,305	61,046	64,351	176	64,175	38,436	—	N/A	
Avalon Harbor Isle	Island Park, NY	172	—	—	54,379	—	54,379	54,379	—	54,379	27,163	—	N/A	
Avalon Amityville	Amityville, NY	338	—	—	45,239	—	45,239	45,239	—	45,239	—	—	N/A	
Avalon Bothell Commons	Bothell, WA	472	—	—	51,690	—	51,690	51,690	—	51,690	—	—	N/A	
Avalon Redmond Campus	Redmond, WA	214	—	—	13,364	—	13,364	13,364	—	13,364	—	—	N/A	
TOTAL DEVELOPMENT		5,386	\$ 59,281	\$ 257,987	\$ 734,936	\$ 59,281	\$ 992,923	\$ 1,052,204	\$ 3,616	\$ 1,048,588	\$ 490,248	\$ —		
Land Held for Development		N/A	\$ 147,546	\$ —	\$ —	\$ 147,546	\$ —	\$ 147,546	\$ —	\$ 147,546	\$ 110,142	\$ —		
Corporate Overhead		N/A	10,899	11,414	104,412	10,899	115,826	126,725	66,045	60,680	58,223	7,400,000		
For-sale condominium inventory (7)	New York, NY	N/A	72,212	234,530	(160,207)	72,212	74,323	146,535	—	146,535	267,219	—	2019	
2021 Disposed Communities		N/A	—	—	—	—	—	—	—	—	243,300	—		
TOTAL		84,599	\$ 4,787,201	\$ 17,209,054	\$ 2,931,050	\$ 4,787,201	\$ 20,140,104	\$ 24,927,305	\$ 6,217,721	\$ 18,709,584	\$ 18,233,781	\$ 8,170,431 (8)		

AVALONBAY COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
December 31, 2021
(Dollars in thousands)

- (1) This community was under redevelopment for some or all of 2021, with the redevelopment activities not expected to materially impact community operations, and therefore this community is included in the Same Store portfolio and not classified as a Redevelopment Community.
- (2) Some or all of the land for this community is subject to a finance land lease.
- (3) Some or all of the land or associated parking structure for this community is subject to an operating lease.
- (4) In 2021, the Company acquired the land encumbered by a ground lease for this community.
- (5) As of December 31, 2021, this community qualified as held for sale.
- (6) Current and Development Communities excludes Unconsolidated Communities and Unconsolidated Development Communities.
- (7) The Park Loggia is comprised of 172 for-sale residential condominiums, of which 123 have been sold as of December 31, 2021, and 66,000 square feet of commercial space. Real estate related to the sold condominiums is included in costs subsequent to acquisition/construction.
- (8) Balance outstanding represents total amount due at maturity, and excludes deferred financing costs and debt discount associated with the unsecured and secured notes of \$50,606 and \$16,278, respectively.

AVALONBAY COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
December 31, 2021
(Dollars in thousands)

Amounts include real estate assets held for sale.

Depreciation of AvalonBay Communities, Inc. building, improvements, upgrades and furniture, fixtures and equipment (FF&E) is calculated over the following useful lives, on a straight line basis:

Building—30 years

Improvements, upgrades and FF&E—not to exceed 7 years

The aggregate cost of total real estate for federal income tax purposes was approximately \$23,903,081 at December 31, 2021.

The changes in total real estate assets for the years ended December 31, 2021, 2020 and 2019 are as follows:

	For the year ended		
	12/31/2021	12/31/2020	12/31/2019
Balance, beginning of period	\$ 23,962,222	\$ 23,606,872	\$ 22,342,576
Acquisitions, construction costs and improvements	1,588,314	860,594	1,615,949
Dispositions, including casualty losses and impairment loss on planned dispositions	(623,231)	(505,244)	(351,653)
Balance, end of period	<u>\$ 24,927,305</u>	<u>\$ 23,962,222</u>	<u>\$ 23,606,872</u>

The changes in accumulated depreciation for the years ended December 31, 2021, 2020 and 2019, are as follows:

	For the year ended		
	12/31/2021	12/31/2020	12/31/2019
Balance, beginning of period	\$ 5,728,440	\$ 5,173,883	\$ 4,611,646
Depreciation, including discontinued operations	758,596	707,331	661,578
Dispositions, including casualty losses	(269,315)	(152,774)	(99,341)
Balance, end of period	<u>\$ 6,217,721</u>	<u>\$ 5,728,440</u>	<u>\$ 5,173,883</u>

Board of Directors

Timothy J. Naughton

Executive Chairman of the Board
AvalonBay Communities, Inc.
Investment & Finance Committee

Glyn F. Aeppel

Chief Executive Officer & President,
Glencove Capital
A hotel investment and advisory company
Investment & Finance Committee;
Nominating, Governance and Corporate Responsibility
Committee

Alan B. Buckelew

Private Investor
Audit Committee;
Compensation Committee

Stephen P. Hills

Founding Director,
Business Law Scholars Program,
Georgetown University Law Center
Compensation Committee;
Investment & Finance Committee

Richard J. Lieb

Senior Advisor
An investment bank
Audit Committee;
Compensation Committee (Chair)

Susan Swanezy

Partner,
Hodes Weill & Associates, LP
A global advisory firm
Investment & Finance Committee;
Nominating, Governance and Corporate Responsibility
Committee (Chair)

Benjamin W. Schall

Chief Executive Officer & President
AvalonBay Communities, Inc.
Investment & Finance Committee

Terry S. Brown

Co-Founder & Managing Partner,
Asana Partners
A real estate investment company
Investment & Finance Committee (Chair);
Nominating, Governance and Corporate Responsibility
Committee

Ron L. Havner, Jr.

Chairman of the Board,
Public Storage, Inc.
A real estate investment trust
Audit Committee (Chair);
Investment & Finance Committee

Christopher B. Howard

Executive Vice President & Chief Operating Officer,
The Arizona State University Enterprise
Audit Committee;
Investment & Finance Committee

Nnenna Lynch

Founder & Chief Executive Officer,
Xylem Projects
A real estate development venture
Audit Committee;
Investment & Finance Committee

W. Edward Walter

Global Chief Executive Officer,
Urban Land Institute
Nonprofit research and education program
Lead Independent Director;
Compensation Committee;
Nominating, Governance and Corporate Responsibility
Committee

Executive and Senior Officers

Timothy J. Naughton

Executive Chairman of the Board

Matthew H. Birenbaum

Chief Investment Officer

Kevin P. O'Shea

Chief Financial Officer

Keri A. Shea

Senior Vice President

Finance & Treasurer (Principal Accounting Officer)

Benjamin W. Schall

Chief Executive Officer & President

Sean J. Breslin

Chief Operating Officer

Joanne M. Lockridge

Executive Vice President
Capital Markets

Edward M. Schulman

Executive Vice President

General Counsel & Secretary

Investor Information

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www.computershare.com

Common Stock Listing

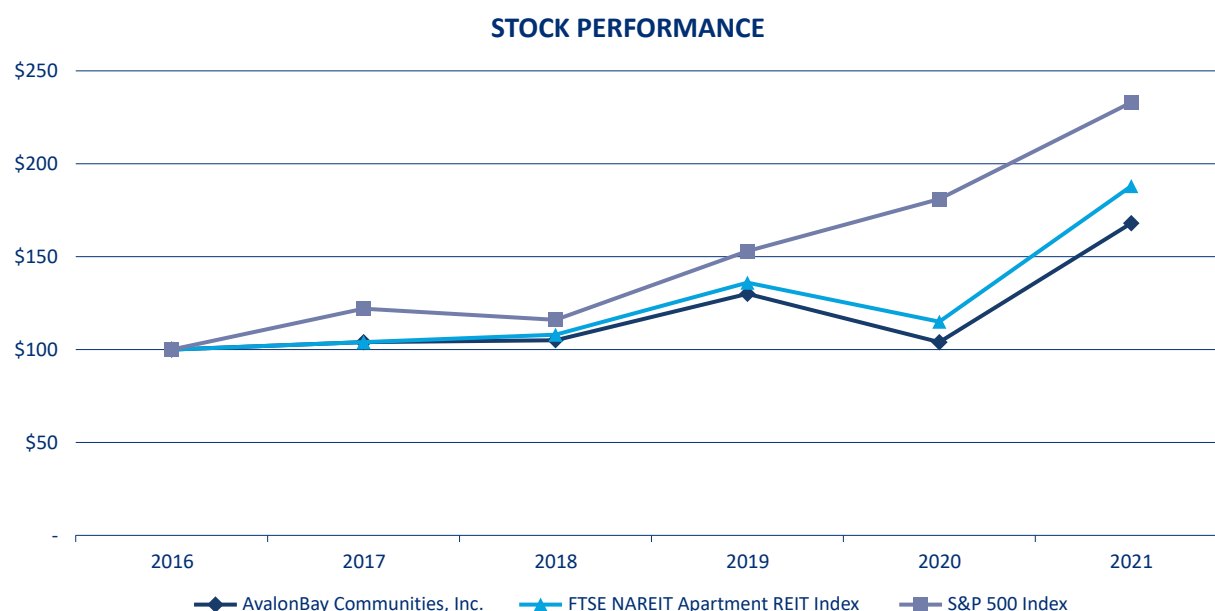
Ticker: AVB
New York Stock Exchange

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 50 of our accompanying Annual Report on Form 10-K for a discussion regarding risks associated with these statements.

Stock performance graph

The Stock Performance Graph provides a comparison, from December 31, 2016, through December 31, 2021, 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.



Index	Period Ending					
	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21
AvalonBay Communities, Inc.	\$ 100	104	105	130	104	168
FTSE NAREIT Apartment REIT Index	100	104	108	136	115	188
S&P 500 Index	100	122	116	153	181	233

