



AVALON GREAT NECK  
Great Neck, NY



AVA NOMA  
Washington, DC



EAVES RANCHO PENASQUITOS  
San Diego, CA



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# INVESTOR TELECONFERENCE PRESENTATION

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Second Quarter 2018  
July 30, 2018

See Appendix for information about forward-looking statements and definitions of non-GAAP financial measures and other terms.

# PARTICIPANTS

TIM NAUGHTON

CHAIRMAN & CHIEF EXECUTIVE OFFICER

KEVIN O'SHEA

CHIEF FINANCIAL OFFICER

MATT BIRENBAUM

CHIEF INVESTMENT OFFICER

SEAN BRESLIN

CHIEF OPERATING OFFICER

# REVIEW OF SECOND QUARTER AND YEAR-TO-DATE RESULTS

Q2 & YTD 2018 RESULTS	Q2	YTD
CORE FFO PER SHARE GROWTH	6.7%	5.5%
SAME-STORE RENTAL REVENUE GROWTH   INCLUDING REDEVELOPMENT	2.5%   2.5%	2.5%   2.4%
DEVELOPMENT COMPLETIONS   WTD. AVG. INITIAL PROJECTED STABILIZED YIELD	\$ 140M   6.4%	\$ 430M   6.5%
DEVELOPMENT STARTS	\$ 265M	\$ 265M
CAPITAL RAISED   WTD. AVG. INITIAL COST OF CAPITAL <sup>(1)</sup>	\$ 300M   ≈ 4.7%	\$ 600M   ≈ 4.3%

Source: Company reports.

See Appendix for a reconciliation of Net Income attributable to common stockholders to FFO and to Core FFO.

(1) Capital raised includes net proceeds from all wholly-owned dispositions, debt issuances and distributions from unconsolidated real estate entities.

Weighted average initial cost of capital includes all wholly-owned dispositions and debt issuances (inclusive of the effect of interest rate hedges) only.

# 2018 UPDATED OUTLOOK

FULL YEAR 2018 REVISED & INITIAL OUTLOOK <sup>(1)</sup>	REVISED	INITIAL
CORE FFO PER SHARE GROWTH	4.1%	3.6%
SAME-STORE RENTAL REVENUE GROWTH   NOI GROWTH	2.4%   2.3%	2.1%   2.0%
PROJECTED NOI – DEVELOPMENT	\$ 52M	\$ 52M
DEVELOPMENT STARTS	\$ 900M	\$ 900M
PLANNED EXTERNAL FUNDING	\$ 950M	\$ 1.25B

Source: Company reports.

Initial outlook provided on January 31, 2018.

External funding includes proceeds from wholly-owned dispositions, capital market offerings of securities and distributions from unconsolidated real estate entities.

For additional information see Attachment 13 to the Company's Second Quarter 2018 Earnings Release.

See Appendix for a reconciliation of Projected Net Income attributable to common shareholders to Projected FFO and to Projected Core FFO.

(1) All figures are based on the midpoints of the Company's outlook ranges.

# BETTER-THAN-EXPECTED SAME-STORE AND REDEVELOPMENT NOI DRIVING UPWARD CORE FFO REVISION

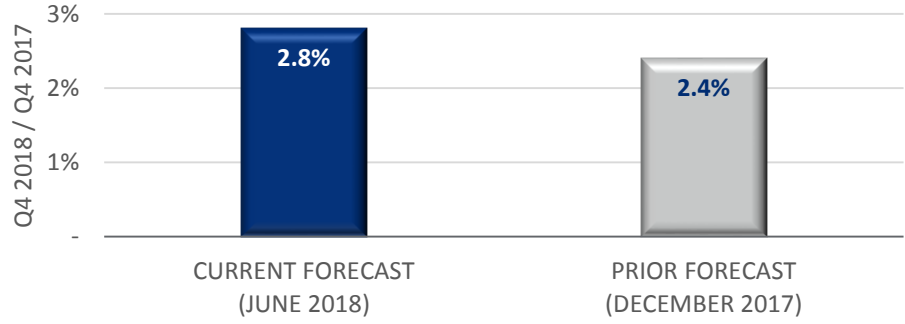
## 2018 COMPONENTS OF PROJECTED CORE FFO PER SHARE GROWTH

	REVISED	INITIAL	VARIANCE
<b>2017 ACTUAL CORE FFO PER SHARE</b>	<b>\$ 8.62</b>	\$ 8.62	\$ --
NOI FROM SAME-STORE & REDEVELOPMENT	<b>+ 0.18</b>	+ 0.14	<b>+ 0.04</b>
NOI FROM NEW DEVELOPMENT & OTHER STABILIZED	<b>+ 0.56</b>	+ 0.56	--
CAPITAL MARKETS ACTIVITY	<b>- 0.29</b>	- 0.30	<b>+ 0.01</b>
OVERHEAD, JV INCOME & MGMT FEES	<b>- 0.10</b>	- 0.09	<b>- 0.01</b>
<b>2018 PROJECTED CORE FFO PER SHARE (MIDPOINT)</b>	<b>\$ 8.97</b>	\$ 8.93	<b>+ 0.04</b>

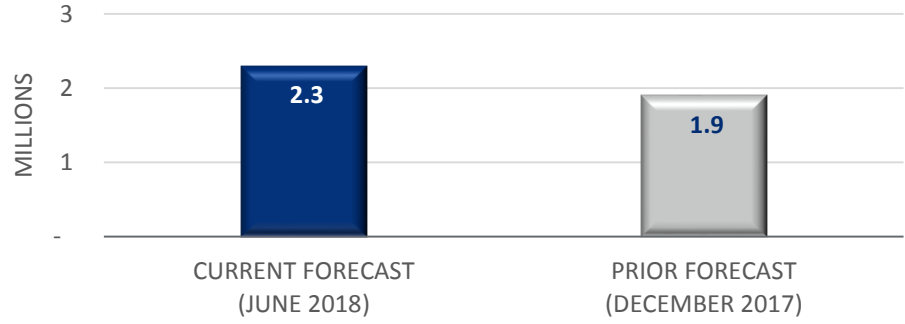
Source: Company reports.

# CONSENSUS GDP AND JOB GROWTH FORECASTS UP; AVB MARKETS BENEFITTING, WHILE DELIVERING LESS NEW SUPPLY THAN EXPECTED

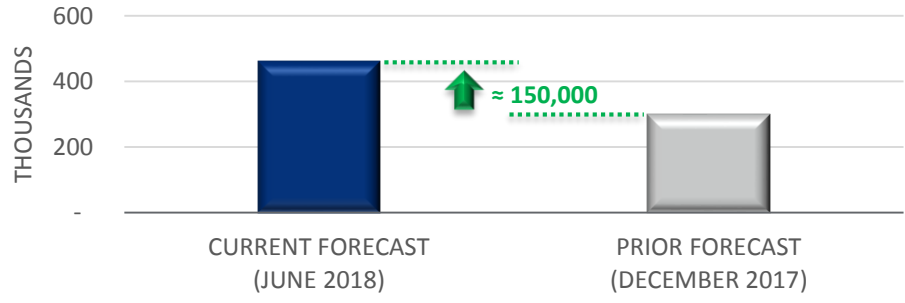
**1** ECONOMISTS INCREASED THEIR FORECASTS FOR REAL GDP GROWTH BY 40 BASIS-POINTS...  
PROJECTED 2018 INCREASE IN U.S. REAL GDP



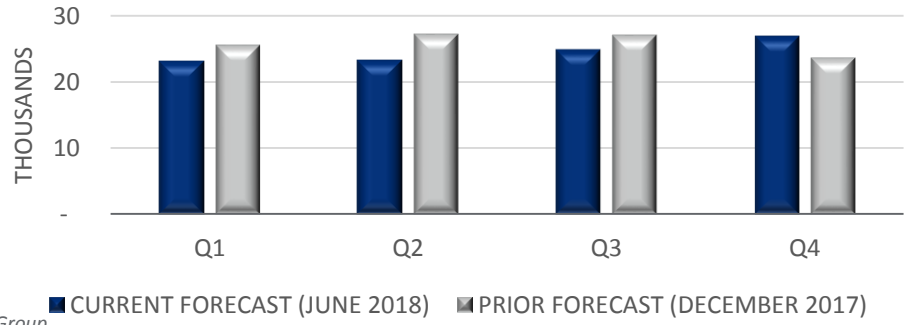
**2** ...AND FULL YEAR JOB GROWTH BY ≈ 400,000 SINCE THE BEGINNING OF THE YEAR  
PROJECTED 2018 INCREASE IN U.S. NONFARM EMPLOYMENT



**3** JOB GROWTH IN AVB MARKETS ALSO PROJECTED TO BE STRONGER THAN INITIALLY EXPECTED...  
PROJECTED 2018 INCREASE IN U.S. NONFARM EMPLOYMENT AVB MARKETS



**4** ...AND NEW APARTMENT DELIVERIES ARE ANTICIPATED TO BE ≈ 5% BELOW OUR INITIAL ESTIMATES  
PROJECTED 2018 NEW MARKET RATE APARTMENT DELIVERIES AVB MARKETS



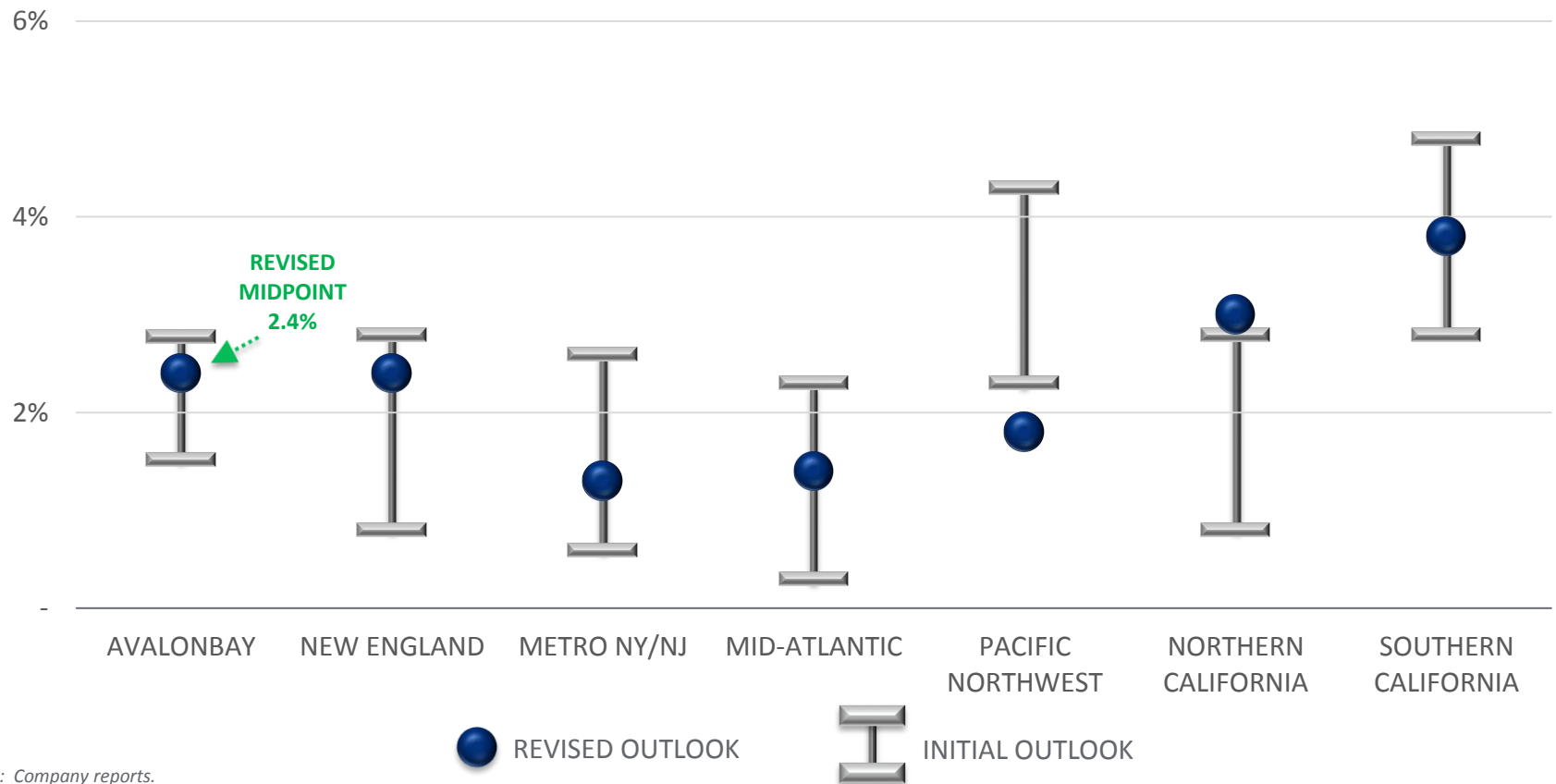
Source: National Association for Business Economics, U.S. Bureau of Labor Statistics, AVB Market Research Group.  
AVB Markets excludes expansion markets (Southeast Florida and Denver).

■ CURRENT FORECAST (JUNE 2018) ■ PRIOR FORECAST (DECEMBER 2017)



# SAME-STORE REVENUE OUTLOOK INCREASED 30 BASIS-POINTS; NEW ENGLAND & NO CAL OUTPERFORMING, PACIFIC NW LAGGING

AVB 2018 PROJECTED FULL YEAR SAME-STORE RENTAL REVENUE GROWTH BY REGION  
YEAR-OVER-YEAR CHANGE

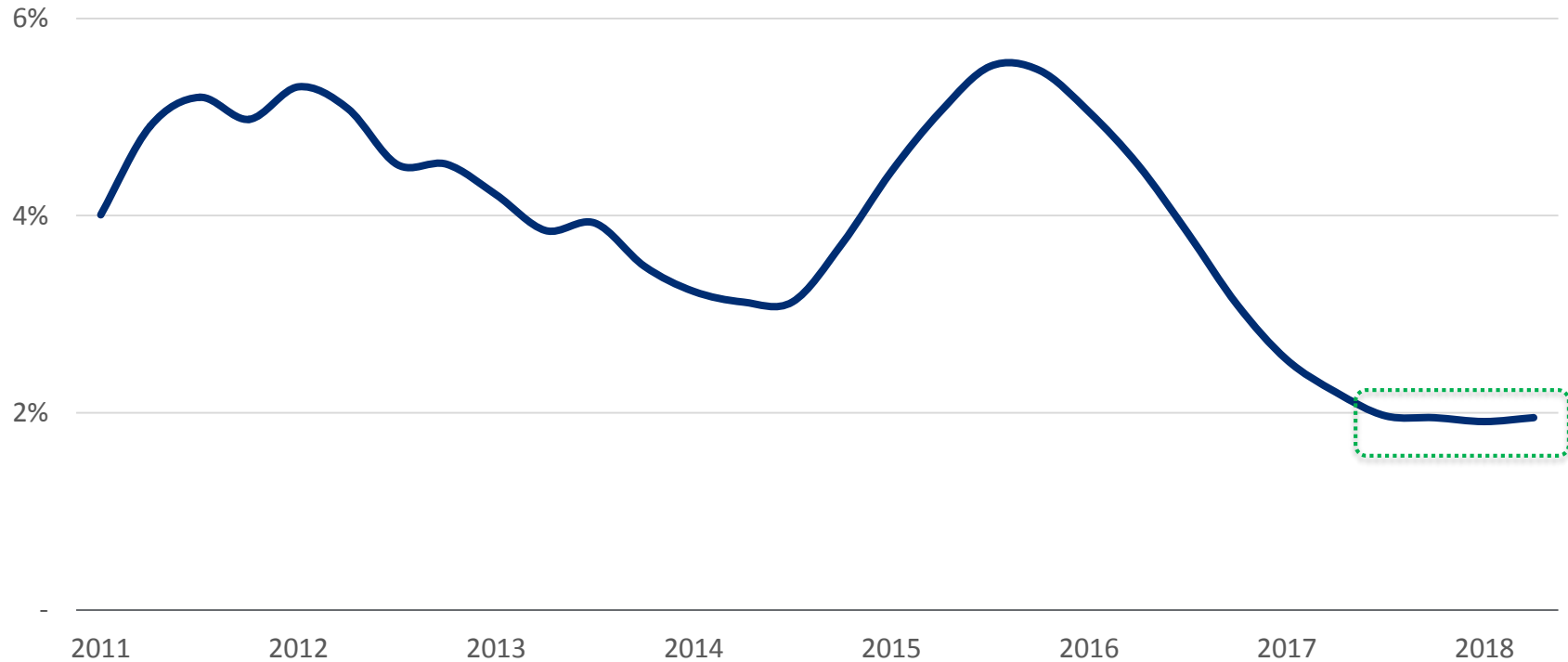


Source: Company reports.



# RENT CHANGE STABILIZING IN THE 2% RANGE

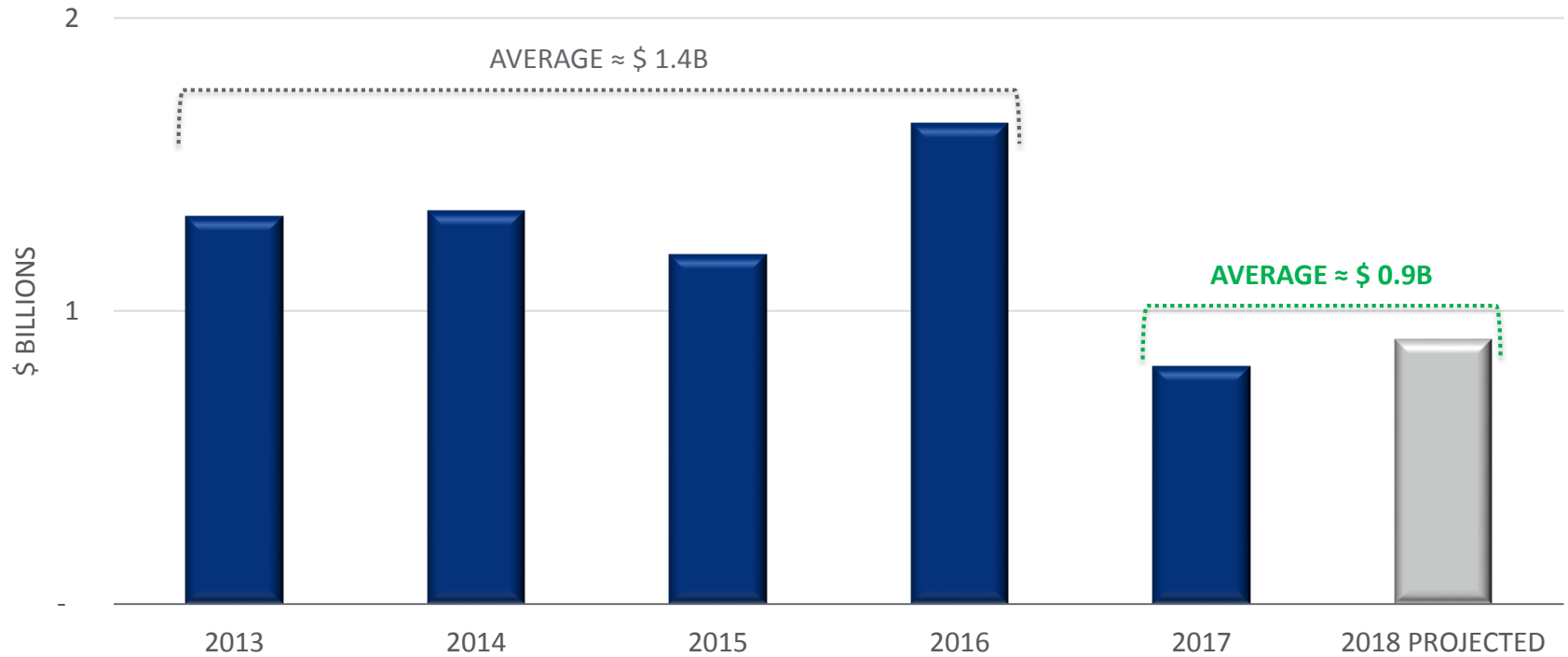
AVB QUARTERLY SAME-STORE LIKE-TERM EFFECTIVE RENT CHANGE  
TRAILING FOUR QUARTER AVERAGE  
YEAR-OVER-YEAR CHANGE



Source: Company reports.

# RECENT DEVELOPMENT STARTS REDUCED 35% FROM 2013 TO 2016 LEVELS

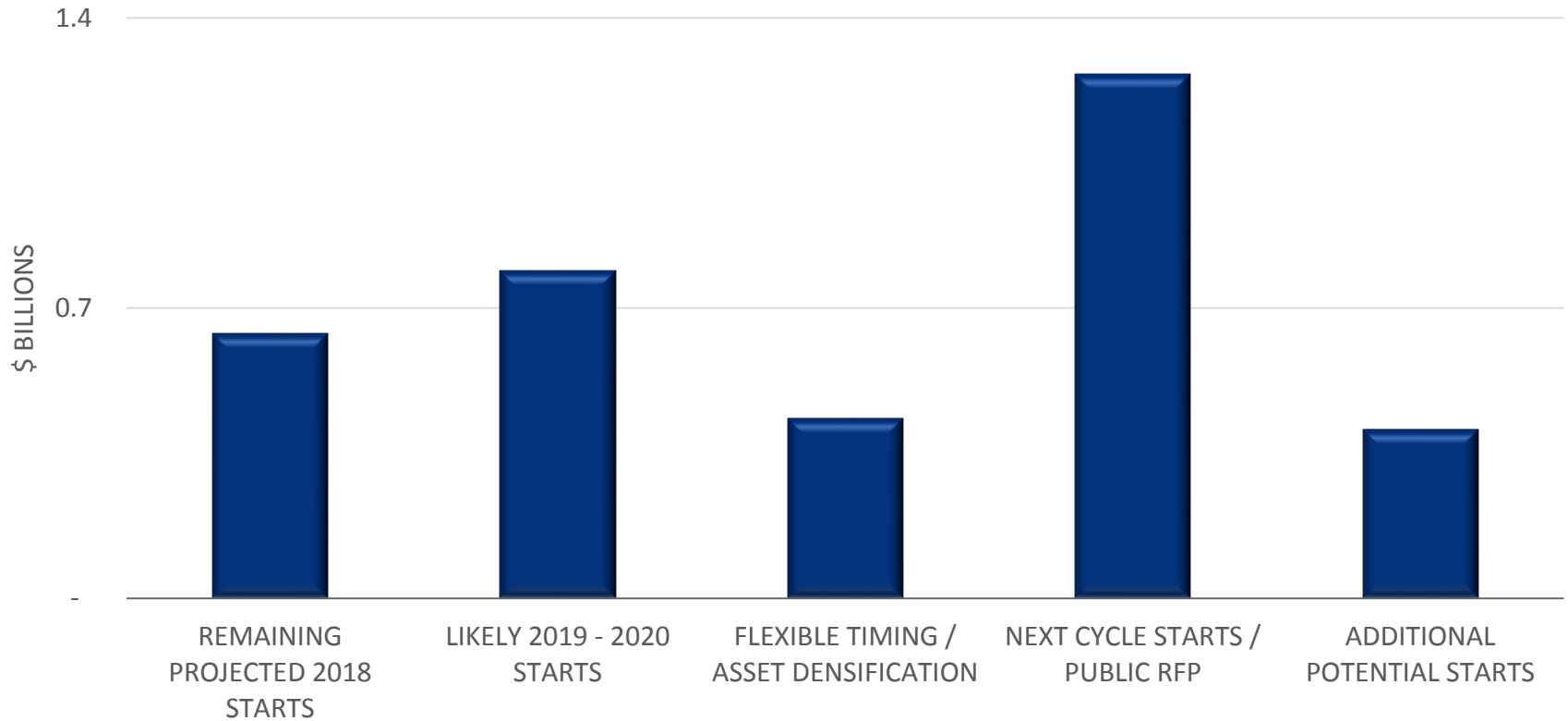
AVB DEVELOPMENT START VOLUME



Source: Company reports.

# DEVELOPMENT RIGHTS PIPELINE OFFERS FLEXIBILITY

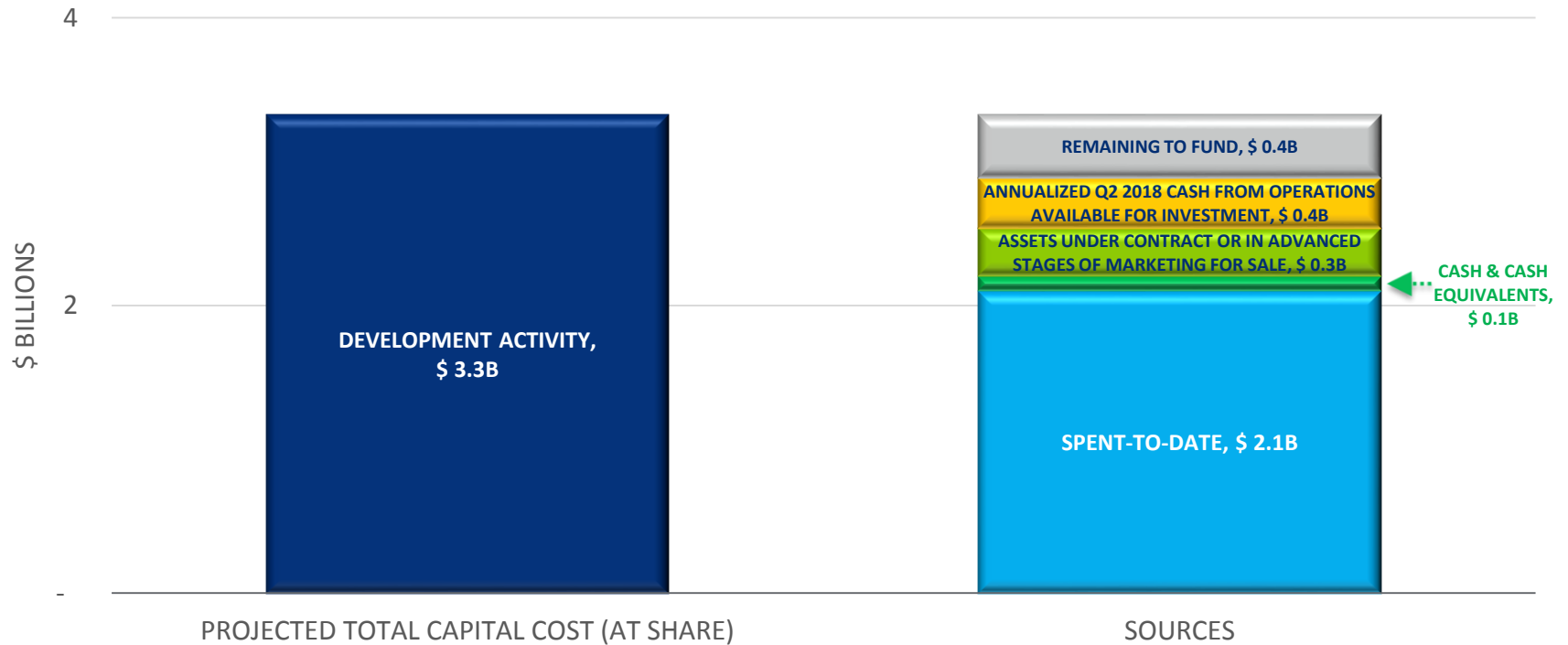
## AVB DEVELOPMENT RIGHTS SUMMARY



Source: Company reports.

# DEVELOPMENT UNDERWAY $\approx$ 85% MATCH-FUNDED

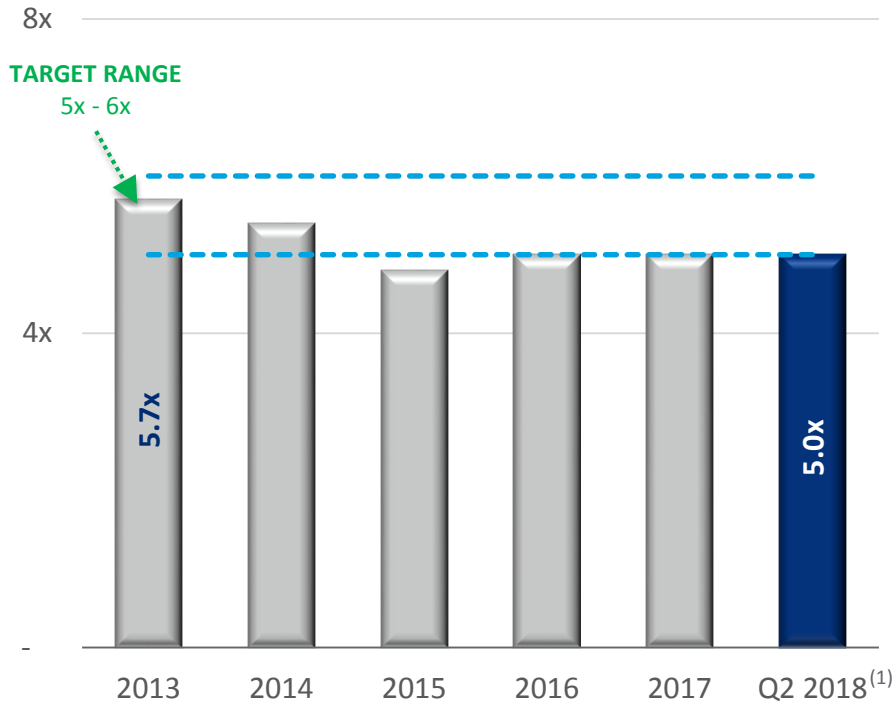
**DEVELOPMENT ACTIVITY UNDERWAY AND AVAILABLE CAPITAL SOURCES**  
 INCLUDES NON-STABILIZED DEVELOPMENT COMPLETIONS  
 AS OF Q2 2018



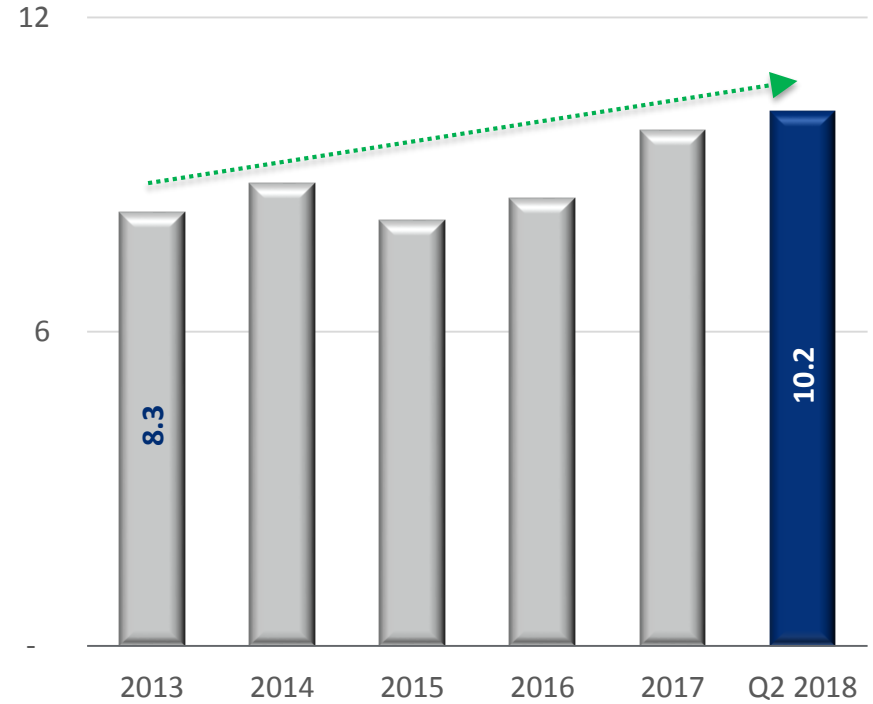
Source: Company reports.

# LEVERAGE NEAR THE LOW-END OF TARGET RANGE; DEBT DURATION EXTENDED BY NEARLY TWO YEARS SINCE 2013

NET DEBT-TO-CORE EBITDA



WEIGHTED AVERAGE YEARS-TO-MATURITY  
OF TOTAL DEBT OUTSTANDING



Source: Company reports.

Data as of year-end, unless indicated otherwise.

(1) Net Debt-to-Core EBITDAre; all other amounts represent Net Debt-to-Core EBITDA.

# KEY Q2 TAKEAWAYS

- HEALTHY ECONOMIC GROWTH SUPPORTING STABLE APARTMENT FUNDAMENTALS
- REVISED FULL-YEAR OUTLOOK AHEAD OF ORIGINAL PLAN DRIVEN BY BETTER-THAN-EXPECTED SAME-STORE AND REDEVELOPMENT NOI
- DEVELOPMENT DELIVERIES AND LEASE-UP NOI CONSISTENT WITH INITIAL EXPECTATIONS
- INCREASINGLY FOCUSED ON RISK MANAGEMENT AS THE CYCLE MATURES
- ON PACE TO DELIVER BETTER-THAN-SECTOR AVERAGE CORE FFO PER SHARE GROWTH FOR AN 8<sup>TH</sup> CONSECUTIVE YEAR

*Source: S&P Global, Company reports.*

*Sector average includes AIV, CPT, ESS, EQR, MAA and UDR and includes each company's most recent 2018 Core FFO per share (or the equivalent measure) outlook as of July 27, 2018.*

*The sector average is weighted based on Total Enterprise Value per S&P Global as of March 31, 2018.*

# FORWARD-LOOKING STATEMENTS

- This presentation dated July 30, 2018 is provided in connection with AvalonBay's second quarter 2018 earnings conference call on July 31, 2018. This presentation is intended to accompany AvalonBay's earnings release dated July 30, 2018, and should be read in conjunction with the earnings release. AvalonBay does not intend to update any of these documents, which speak only as of their respective dates.
- The earnings release is available on AvalonBay's website at [www.avalonbay.com/earnings](http://www.avalonbay.com/earnings)
- For definitions, additional information and reconciliations of non-GAAP financial information and certain defined terms included in this presentation, see slides 16 to 21 in addition to Attachment 14 to the earnings release.
- This presentation dated July 30, 2018 contains forward-looking statements, which are indicated by the use of words such as "expects," "projects," "forecast," "outlook," "estimate" and other words that do not relate to historical matters. Actual results may differ materially. For information concerning risks and other factors that could cause such differences, see "Forward Looking Statements" in AvalonBay's earnings release that accompanies this presentation. The Company does not undertake a duty to update the projections and expectations stated in this presentation, which speak only as of the date of this presentation unless otherwise referenced.

# DEFINITIONS & RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES AND OTHER TERMS

**Annualized Q2 2018 cash from operations available for investment** is the Company's second quarter 2018 Core FFO, less (i) second quarter 2018 dividends declared – common and (ii) second quarter 2018 Asset Preservation Capex, annualized. Annualized Q2 2018 cash from operations available for investment does not represent the Company's net cash provided by operating activities as presented in the Company's consolidated financial statements. A reconciliation of Annualized Q2 2018 cash from operations available for investment to Core FFO is as follows:

\$ in thousands	Q2 2018
<b>Core FFO attributable to common stockholders</b>	\$ 307,617
Dividends declared - common	(203,181)
Established and Other Stabilized Asset Preservation Capex	(16,847)
<b>Q2 2018 cash from operations available for investment</b>	<b>\$ 87,589</b>
<b>Annualized Q2 2018 cash from operations available for investment</b>	<b>\$ 350,356</b>

**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 the Board of Governors of the National Association of Real Estate Investment Trusts ("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 outlined in the table below. By further adjusting for items that are not considered part of our core business operations, Core FFO can help one compare the core operating and financial performance of the Company between periods. Reconciliations of Net income attributable to common stockholders to FFO and to Core FFO for all periods presented in this presentation are included on the following slide:



# ADDITIONAL DEFINITIONS & RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES AND OTHER TERMS

\$ in thousands

	Q2 2018	Q2 2017	YTD 2018	YTD 2017	FULL YEAR 2017
<b>Net income attributable to common stockholders</b>	\$ 254,662	\$ 165,225	\$ 396,305	\$ 401,100	\$ 876,921
Depreciation - real estate assets, including joint venture adjustments	156,289	141,128	314,772	282,085	582,907
Distributions to noncontrolling interests	11	10	22	21	42
Gain on sale of unconsolidated entities holding previously depreciated real estate	-	-	-	(8,697)	(40,053)
Gain on sale of previously depreciated real estate	(105,201)	(44,067)	(105,201)	(132,016)	(252,599)
Casualty and impairment (recovery) loss, net on real estate	-	-	-	-	-
<b>FFO attributable to common stockholders</b>	\$ 305,761	\$ 262,296	\$ 605,898	\$ 542,493	\$ 1,167,218
Adjusting items:					
Joint venture losses	\$ 7	\$ 115	\$ 7	\$ 381	\$ 950
Joint venture promote	-	-	(925)	(6,765)	(26,742)
Impairment loss on real estate	-	-	-	9,350	9,350
Casualty (gain) loss, net on real estate	-	-	(58)	2,338	(3,100)
Business interruption insurance proceeds	-	-	-	-	(3,495)
Lost NOI from casualty losses covered by business interruption insurance	832	2,062	1,730	3,867	7,904
Loss on extinguishment of consolidated debt	642	24,162	1,039	24,162	25,472
Advocacy contributions	303	-	606	-	-
Hedge ineffectiveness	-	(753)	-	(753)	(753)
Severance related costs	132	11	502	135	87
Development pursuit and other write-offs	243	412	570	835	1,406
(Gain) loss on other real estate transactions	(370)	-	(323)	(366)	10,907
Acquisition costs	-	-	-	-	92
Legal settlements	67	84	367	84	680
Income taxes	-	-	-	-	-
<b>Core FFO attributable to common stockholders</b>	\$ 307,617	\$ 288,389	\$ 609,413	\$ 575,761	\$ 1,189,976
Average shares outstanding - diluted	138,215,010	138,173,151	138,184,295	137,853,625	138,066,686
Earnings per share - diluted	\$ 1.84	\$ 1.20	\$ 2.87	\$ 2.91	\$ 6.35
FFO per common share - diluted	\$ 2.21	\$ 1.90	\$ 4.38	\$ 3.94	\$ 8.45
<b>Core FFO per common share - diluted</b>	\$ 2.23	\$ 2.09	\$ 4.41	\$ 4.18	\$ 8.62

# ADDITIONAL DEFINITIONS & RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES AND OTHER TERMS

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. Average Like-Term Effective Rent Change is weighted based on the number of leases meeting the criteria for new move-in and renewal like-term effective rent change. New move-in like-term effective rent change is the change in effective rent between the contractual rent for a resident who moves out of an apartment, and the contractual rent for a resident who moves into the same apartment with the same lease term category. Renewal like-term effective rent change is the change in effective rent between two consecutive leases of the same lease term category for the same resident occupying the same apartment.

# ADDITIONAL DEFINITIONS & RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES AND OTHER TERMS

**Net Debt-to-Core EBITDA** is calculated by the Company as total debt that is consolidated for financial reporting purposes, less consolidated cash and cash in escrow, divided by annualized Core EBITDA. Calculations of Net Debt-to-Core EBITDA for the fourth quarter of 2013, 2014, 2015, 2016 and 2017 and Net Debt-to-Core EBITDAre for the second quarter of 2018 are as follows (below and the following slide):

\$ in thousands	Q4 2013		Q4 2014		Q4 2015		Q4 2016		Q4 2017		Q2 2018 <sup>(1)</sup>	
<b>Net income attributable to common stockholders</b>	\$	252,212	\$	142,642	\$	155,428	\$	242,235	\$	237,573	\$	254,543
Interest expense, net, inclusive of loss on extinguishment of debt, net		59,551		47,987		42,217		54,262		53,833		57,227
Income tax expense		-		9,332		215		210		39		58
Depreciation expense		104,806		114,084		122,259		140,020		157,100		156,685
<b>EBITDA</b>	\$	<b>416,569</b>	\$	<b>314,045</b>	\$	<b>320,119</b>	\$	<b>436,727</b>	\$	<b>448,545</b>	\$	<b>468,513</b>
NOI from real estate assets sold or held for sale	\$	(4,168)	\$	(2,257)	\$	(1,896)	\$	(167)	\$	(1,369)	\$	-
Gain on sale of communities		(160,058)		(23,980)		(9,474)		(90,041)		(92,845)		(105,201)
Gain on sale of other real estate		-		(490)		-		697		11,153		-
Joint venture income		(5,090)		(5,241)		(1,093)		(10,184)		(358)		-
Joint venture EBITDAre adjustments		-		-		-		-		-		3,123
<b>Consolidated EBITDA after disposition activity</b>	\$	<b>247,253</b>	\$	<b>282,077</b>	\$	<b>307,656</b>	\$	<b>337,032</b>	\$	<b>365,126</b>	\$	<b>366,435</b>
Adjusting items:												
Casualty and impairment loss (gain), net	\$	-	\$	-	\$	125	\$	-	\$	(5,438)	\$	-
Lost NOI from casualty losses covered by business interruption insurance		-		-		2,790		1,786		1,662		832
Business interruption insurance proceeds		(299)		(7,715)		352		(143)		-		-
Acquisition Costs		(1,198)		(1,907)		(998)		959		92		-
Severance related costs		(1,145)		155		215		(55)		(66)		132
Development pursuit and other write-offs		1,314		-		766		(107)		232		243
Legal settlements		-		-		-		(417)		589		67
Federal excise tax		-		-		-		-		-		-
Loss (gain) on other real estate transactions		-		-		-		-		-		(370)
Advocacy contributions		-		-		-		-		-		303
<b>Core EBITDA</b>	\$	<b>245,925</b>	\$	<b>272,610</b>	\$	<b>310,906</b>	\$	<b>339,055</b>	\$	<b>362,197</b>	\$	<b>367,642</b>

(1) Core EBITDA figures presented and used in Q2 2018 represent Core EBITDAre.

# ADDITIONAL DEFINITIONS & RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES AND OTHER TERMS

\$ in thousands	Q4 2013	Q4 2014	Q4 2015	Q4 2016	Q4 2017	Q2 2018 <sup>(1)</sup>
<b>Total debt principal</b>	\$ 6,029,998	\$ 6,448,138	\$ 6,481,291	\$ 7,076,758	\$ 7,404,313	\$ 7,645,437
Cash and cash in escrow	\$ (380,022)	\$ (605,085)	\$ (505,328)	\$ (329,977)	\$ (201,906)	\$ (349,897)
<b>Net debt</b>	\$ 5,649,976	\$ 5,843,053	\$ 5,975,963	\$ 6,746,781	\$ 7,202,407	\$ 7,295,540
Core EBITDA	\$ 245,925	\$ 272,610	\$ 310,906	\$ 339,055	\$ 362,197	\$ 367,642
Core EBITDA, annualized	\$ 983,702	\$ 1,090,440	\$ 1,243,624	\$ 1,356,220	\$ 1,448,788	\$ 1,470,568
<b>Net Debt-to-Core EBITDA</b>	<b>5.7x</b>	<b>5.4x</b>	<b>4.8x</b>	<b>5.0x</b>	<b>5.0x</b>	<b>5.0x</b>

(1) Core EBITDA figures presented and used in Q2 2018 represent Core EBITDAre.

# ADDITIONAL DEFINITIONS & RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES AND OTHER TERMS

**Projected Core FFO** is calculated on a basis consistent with Core FFO and is therefore considered to be appropriate supplemental measure to projected Net Income from projected operating performance. A reconciliation of the range (midpoint) provided for Projected Core FFO per share (diluted) for 2018 to the ranges provided for projected EPS (diluted) is below:

	<b>LOW RANGE</b>	<b>HIGH RANGE</b>
<b>Projected EPS (diluted) - Full Year 2018</b>	\$ 6.11	\$ 6.31
Depreciation (real estate related)	4.42	4.62
Gain on sale of communities	(1.71)	(1.91)
<b>Projected FFO per share (diluted) - Full Year 2018</b>	<b>\$ 8.82</b>	<b>\$ 9.02</b>
Adjusting items:		
Joint venture promote and other income, development pursuit, other writeoffs and other	0.01	0.01
Lost NOI from casualty losses covered by business interruption insurance	0.01	0.01
Advocacy contributions	0.01	0.01
Loss on extinguishment of consolidated debt	0.02	0.02
<b>Projected Core FFO per share (diluted) - Full Year 2018</b>	<b>\$ 8.87</b>	<b>\$ 9.07</b>