BRE PROPERTIES INC /MD/
Form 10-K
February 15, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTIONS 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

(Mark One)

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

For the fiscal year ended December 31, 2007

OR

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

Commission File No. 1-14306

BRE PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Maryland	**94-1722214**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

525 Market Street, 4th Floor

San Francisco, California 94105-2712

(Address of Principal Executive Offices) (Zip Code)

(415) 445-6530

(Registrant s telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	**New York Stock Exchange**
6.75% Series C Preferred Stock	**New York Stock Exchange**
6.75% Series D Preferred Stock	**New York Stock Exchange**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. xYes ¨ 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 x 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 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. xYes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨Yes x No

At June 30, 2007, the aggregate market value of the registrant s shares of Common Stock par value, $.01 per share, held by non-affiliates of the registrant was approximately $3,008,000,000. At January 31, 2008 50,981,496 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Shareholders of BRE Properties, Inc. to be filed within 120 days of December 31, 2007 are incorporated by reference in Part III of this report.

FORWARD-LOOKING STATEMENTS

In addition to historical information, we have made forward-looking statements in this Annual Report on Form 10-K. These forward-looking statements pertain to, among other things, our capital resources, portfolio performance and results of operations. Forward-looking statements involve numerous risks and uncertainties. You should not rely on these statements as predictions of future events because we cannot assure you that the events or circumstances reflected in the statements can be achieved or will occur. Forward-looking statements are identified by words such as believes, expects, may, will, should, seeks, approximately, intends, plans, pro forma, estimates or anticipates or other variations, or by discussions of strategy, plans or intentions. Forward-looking statements are based on assumptions, data or methods that may be incorrect or imprecise or incapable of being realized. The following factors, among others, could affect actual results and future events: defaults or non-renewal of leases, increased interest rates and operating costs, failure to obtain necessary outside financing, difficulties in identifying properties to acquire and in effecting acquisitions, failure to successfully integrate acquired properties and operations, inability to dispose of assets that no longer meet our investment criteria under acceptable terms and conditions, risks and uncertainties affecting property development and construction (including construction delays, cost overruns, inability to obtain necessary permits and public opposition to such activities), failure to qualify as a real estate investment trust under the Internal Revenue Code of 1986, as amended, environmental uncertainties, risks related to natural disasters, financial market fluctuations, changes in real estate and zoning laws and increases in real property tax rates. Our success also depends on general economic trends, including interest rates, income tax laws, governmental regulation, legislation, population changes and other factors, including those risk factors discussed in the section entitled Risk Factors in this report as they may be updated from time to time by our subsequent filings with the Securities and Exchange Commission. Do not rely solely on forward-looking statements, which only reflect management's analysis. We assume no obligation to update forward-looking statements.

BRE PROPERTIES, INC.

PART I

Item 1. BUSINESS

References in this Annual Report on Form 10-K to BRE, Company, we or us refer to BRE Properties, Inc., a Maryland corporation.

Corporate Profile

We are a self-administered equity real estate investment trust, or REIT, focused on the development, acquisition and management of multifamily apartment communities in six targeted metropolitan markets of the Western United States. At December 31, 2007, our multifamily portfolio had real estate assets with a net book value of approximately $2.9 billion, which included: 77 wholly or majority owned stabilized multifamily communities, aggregating 21,808 units in California, Washington and Arizona; thirteen stabilized multifamily communities owned through joint venture agreements, comprised of 4,080 apartment units; and ten apartment communities in various stages of construction and development totaling 3,125 units. We have been a publicly traded company since our founding in 1970 and have paid 149 consecutive quarterly dividends to our shareholders since inception.

Our business touches one of the most personal aspects of our customers lives the place they call home. We believe this creates not just a responsibility, but an opportunity to set ourselves apart by seeing things from our residents point of view and putting them first in all we do. The power of this viewpoint is that what is good for our resident is good for our company. As we build relationships with the people and communities we serve, we set ourselves apart in the marketplace and create long-term, income-producing investments for our shareholders. Our principal operating objective is to maximize the economic returns of our apartment communities so as to provide our shareholders with the greatest possible total return and value. To achieve this objective, we pursue the following primary strategies and goals:

- *Communicate a clear, results-oriented strategic direction* based on the five-year plan developed by our Board of Directors and Management, that is the driver behind all key decisions;

- *Manage our business to yield a compelling combination of income and growth* by achieving and maintaining high occupancy levels, dynamic pricing, and operating margin expansion through operating efficiencies and cost controls, and deploying new and recycled capital to supply-constrained markets of the Western United States;

- *Maintain balance sheet strength and maximize financial flexibility* to provide continued access to attractively priced capital for strategic growth opportunities;

- *Respond openly and honestly to all investors* by disclosing financial results comprehensively and efficiently, and making our business transparent to investors through our public disclosure; and

- *Create a valuable customer experience* that focuses on services from residents point of view, and generates increased profitability from resident retention and referrals.

We believe we can best achieve our objectives by developing, acquiring and internally managing high-quality apartment communities in high-demand, supply-constrained locations in the most attractive places to live in the Western United States, specifically costal California. Our communities are generally near the business, transportation, employment and recreation centers essential to customers who value the convenience, service and flexibility of rental living. Recognizing that customers have many housing choices, we focus on developing and acquiring apartment homes with customer-defined amenities and providing professional management services, delivered by well-trained associates. We have concentrated our investment and business focus in California and other markets in the Western United States because of certain market characteristics that we find attractive,

including the propensity to rent and a housing supply that currently cannot keep pace with population and employment growth. From time to time, we dispose of assets that do not meet our long-term investment criteria, recycling the capital derived from property sales into apartment communities in supply-constrained locations that offer higher long-term return opportunities.

Events During 2007

In January of 2007, we acquired a 3.5-acre land site in Los Angeles for approximately $66,500,000. The site represents 645 units of future development, and an estimated total investment of $320,300,000 upon completion. Due to the terms of a pre-existing purchase option contract, the asset was consolidated in accordance with GAAP on our December 31, 2006 balance sheet.

On March 13, 2007, we completed an offering of $300,000,000 of 10-year senior unsecured notes. The notes will mature on March 15, 2017 and bear interest at a fixed coupon rate of 5.5%. Net proceeds from the offering, after all discounts, commissions, and issuance costs totaled approximately $297,000,000 and were used for general corporate purposes.

On July 11, 2007, we contributed one community with a total value of $52,000,000 and 432 units located in Phoenix, Arizona, classified as held for sale at June 30, 2007, to a newly formed joint venture in exchange for 15% equity interest in the joint venture and approximately $44,000,000 in cash. The joint venture investment is reported as equity interests in investments in rental properties on the consolidated balance sheet. Our net carrying value of the investment in the joint venture is equal to 15% of the total carrying value of the net asset at the time of the contribution, which totaled approximately $20,500,000. In connection with the contribution, we recognized a gain of $26,600,000.

During 2007, we purchased a 15% equity interest in three newly formed joint ventures for approximately $19,500,000. The joint venture partner contributed approximately $110,535,000 for an 85% interest in the joint ventures. The properties have a total of 976 units and are located in Colorado, with a total value of $130,035,000.

On September 14, 2007, we redeemed all 3,000,000 shares of 8.08% Series B Cumulative Redeemable Preferred Stock at a redemption price of $25.42644 per share. The redemption price was equal to the original issuance price of $25.00 per share, plus accrued and unpaid dividends to the redemption date. The initial issuance costs totaling $2,768,000 associated with the Series B Cumulative Redeemable Preferred Stock was included in net income available to common shareholders during the third quarter of 2007.

On September 18, 2007, we amended and restated our credit agreement with a group of 18 lenders, increasing the size of the revolving credit facility from $600,000,000 to $750,000,000 and extending the maturity date from January 18, 2010 to September 18, 2012. The new amended and restated facility has a five-year term. Based on our current debt ratings, the line of credit accrues interest at LIBOR plus 47.5 basis points. In addition, we pay a 0.15% annual facility fee on the capacity of the facility. Borrowings under our revolving unsecured line of credit totaled $205,000,000 at December 31, 2007, compared to $115,000,000 at December 31, 2006. Borrowings under the credit facility are used to fund acquisition and development activities as well as for general corporate purposes. We typically reduce our outstanding balance on the revolving unsecured line of credit with available cash balances.

During 2007, we sold three communities totaling 441 units: Hazel Ranch, with 208 units located in Sacramento, California; Shaliko, with 152 units located in Sacramento, California; and Brentwood Townhomes with 81 units, located in Seattle, Washington. The three communities were sold for an aggregate sales price of approximately $56,400,000, resulting in a net gain on sale of approximately $29,400,000.

We continue to expand our development activities. As of December 31, 2007, we owned seven sites that were under construction and three parcels of land that are going through the entitlement process. The aggregate investment on the ten sites is expected to total approximately $1.1 billion. Estimated completion dates for the seven sites that are under construction range from first quarter 2008 to first quarter 2010.

Events During 2006

On January 27, 2006, we reached a settlement in connection with litigation regarding our Red Hawk Ranch apartment community and the builder and other parties. Under terms of the settlement, we agreed to receive $17,500,000 from various defendants and the assignment of certain agreements and claims associated with three subcontractors against whom we continued litigation. In April of 2006, we reached settlement terms with the subcontractors in an amount totaling $2,000,000. We received all settlement funds in April of 2006 and the amount was recorded as Other Income during the second quarter of 2006.

On April 27, 2006, we contributed seven communities, classified as held for sale at December 31, 2005, to seven newly formed joint ventures in exchange for a 15% equity interest in each joint venture and approximately $200,000,000 in cash from the joint ventures. Under the terms of the joint venture agreements, the Company contributed seven properties with 2,184 units located in Denver, Colorado and Phoenix, Arizona, with a total value of $235,000,000. The joint venture partner contributed approximately $200,000,000 to obtain an 85% equity interest in each of the ventures. These seven joint venture investments are reported as equity interests in investments in rental properties on the consolidated balance sheet. The net carrying value of our investment in the seven joint ventures is equal to 15% of our carrying value of the net assets, at the time of contribution, which totaled approximately $189,000,000.

On August 15, 2006, we completed a private offering of $460,000,000 aggregate principal amount of exchangeable senior unsecured notes that mature on August 15, 2026. The notes bear interest at a fixed coupon rate of 4.125%. The notes may be converted into shares of our common stock (Common Shares), at the option of the holder, under specific circumstances, or on or after July 15, 2026, at an initial conversion rate of 14.0432 shares per $1,000 principal amount of notes. This is equivalent to an initial conversion price of $71.21 per share, which represents a 27.50% premium over the $55.85 closing price of our stock at the time the transaction was priced. We used the net proceeds from the issuance to concurrently repurchase 1,342,883 shares of our common stock for approximately $75,000,000 at a price of $55.85 per share. The remaining net proceeds were used to repay indebtedness under our revolving unsecured credit facility and to redeem $150,000,000 of unsecured notes scheduled to mature March 2007. Prepayment charges associated with the early retirement of the $150,000,000 of senior unsecured notes scheduled to mature March 2007 totaled $576,000 and are recorded as Other Expenses on the Consolidated Statement of Income.

On November 1, 2006, we acquired Carmel Summit, a 246 unit operating multifamily community located in San Diego, California, for an acquisition price of approximately $53,000,000. We funded this property acquisition with borrowings under our unsecured revolving line of credit.

During 2006, we completed three development communities: The Heights, with 208 units in Chino Hills, California; Bridgeport Coast with 188 units in Santa Clarita, California; Galleria at Towngate with 268 units in Moreno Valley, California. The aggregate investment in the three communities totals $121,000,000. We continued to expand our development activities. As of December 31, 2006, we owned five sites that were under construction and four parcels of land that are going through the entitlement process.

Events During 2005

During 2005, we acquired three communities totaling 684 units for approximately $128,400,000. During the first quarter 2005, we acquired Sterling Downs, with 124 units located in Chino Hills, California, for a purchase price of $26,000,000. In the second quarter 2005, we acquired Mission Grove, with 432 units located in Riverside, California, for a purchase price of $75,800,000. In October 2005, we acquired Palm Court, with 128 units located in Los Angeles, California, for a purchase price of $26,600,000.

During 2005, we sold three communities totaling 928 units: Pinnacle Canyon View, with 288 units located in Orem, Utah; Pinnacle Mountain View, with 324 units located in the Clearfield, Utah area; and Scottsdale Cove with 316 units, located in Scottsdale, Arizona. The three communities were sold for an aggregate sales price of approximately $89,200,000, resulting in a net gain on sale of approximately $26,897,000. The sale of these communities completed our exit from the Salt Lake City market.

On May 19, 2005, we completed an offering of $150,000,000 of five year senior unsecured notes. The notes will mature on May 15, 2010 and bear interest at a fixed coupon rate of 4.875%. Net proceeds from the offering, after all discounts, commissions and issuance costs, totaled approximately $148,087,000 and were used for general corporate purposes.

During the second quarter of 2005, we decreased the borrowings on our secured credit facility with Fannie Mae from $140,000,000 to $75,000,000. In August 2005, BRE amended the credit facility to reduce the number of multifamily communities securing the line from nine to four and modified certain geographical diversification requirements. These four multifamily communities are held by a consolidated subsidiary of BRE. Current borrowings under the facility bear interest at variable rates with maturities ranging from one to nine months, plus a facility fee of 0.65%. Borrowings under the secured credit facility totaled $75,000,000 at December 31, 2005.

Competition

All of our communities are located in developed areas that include other multifamily communities. There are numerous other multifamily properties and real estate companies within these areas that compete with us for residents and development and acquisition opportunities. Such competition could have a material effect on our ability to lease apartment homes at our communities or at any newly developed or acquired communities and on the rents charged. We may be competing with others that have greater resources than us. In addition, other forms of residential properties, including single-family housing, provide housing alternatives to potential residents of upscale apartment communities.

Structure, Tax Status and Investment Policy

We are organized to operate so as to qualify as a real estate investment trust, or REIT, under Sections 856-860 of the Internal Revenue Code of 1986, as amended. Under the terms of the Internal Revenue Code, we generally will not be subject to Federal income tax to the extent we distribute 100% of our taxable income to our shareholders. REITs are subject to a number of complex organizational and operational requirements. If we fail to qualify as a REIT, our taxable income may be subject to income tax at regular corporate rates. See Risk Factors Tax Risks.

Our long-range investment policy emphasizes the development, construction and acquisition of multifamily communities located in California and other markets in the Western United States. As circumstances warrant, certain properties may be sold and the proceeds reinvested into multifamily communities that our management believes better align with our growth objectives. Among other items, this policy is intended to enable our management to monitor developments in local real estate markets and to take an active role in managing our properties and improving their performance. The policy is subject to ongoing review by the Board of Directors and may be modified in the future to take into account changes in business or economic conditions, as circumstances warrant.

Employees

As of December 31, 2007, we had 814 employees. No employee is covered by collective bargaining agreements.

Company Website

To view our current and periodic reports free of charge, please go to our website at *www.breproperties.com*. We make these postings as soon as reasonably practicable after our filings with the SEC. Our website contains copies of our Corporate Governance Guidelines, our Code of Business Conduct and Ethics and the charters of each of our Audit and Compensation, Nominating and Governance Committees. This information is also available in print to any shareholder who requests it by contacting us at BRE Properties, Inc., 525 Market St., 4th Floor, San Francisco, California, 94105, attention: Investor Relations. Information contained on our website is not and should not be deemed a part of this report or a part of any other report or filing with the SEC.

Investment Portfolio

See Part I, Item 2 (Properties) and Part II, Item 7 (Management s Discussion and Analysis of Financial Condition and Results of Operations) of this report for a description of our individual investments and certain developments during the year with respect to these investments. See Part IV, Item 15(a) 2, Schedule III (financial statement schedule), for additional information about our portfolio, including locations, costs and encumbrances.

Additionally, see Part II, Item 8 and Part IV, Item 15 of this report for our consolidated financial statements.

Executive Officers

The following persons were executive officers of BRE as of February 15, 2008:

Name	Age at February 15, 2008	Position(s)
Constance B. Moore	52	President, Chief Executive Officer and Director
Edward F. Lange, Jr.	48	Executive Vice President, Chief Operating Officer and Chief Financial Officer
Bradley P. Griggs	50	Executive Vice President, Development
Deirdre A. Kuring	46	Executive Vice President, Property Operations

Ms. Moore has served as President and Chief Executive Officer since January 1, 2005. Prior to serving as the Company s Chief Executive Officer, she served as our Chief Operating Officer from July of 2002 through December 31, 2004. Ms. Moore held several executive positions with Security Capital Group & Affiliates, an international real estate operating and investment management company, from 1993 to July 2002, including Co-Chairman and Chief Operating Officer of Archstone Communities Trust, a Colorado-based multifamily real estate investment trust. Ms. Moore holds a Master of Business Administration Degree from the University of California, Berkeley and a Bachelor s Degree in Business Administration from San Jose State University.

Mr. Lange was promoted to Chief Operating Officer on January 29, 2007. Mr. Lange will continue to serve as Chief Financial Officer, a position he has held since July 2000, until a successor is named. Prior to joining BRE, Mr. Lange served as Executive Vice President and Chief Financial Officer at Health Care REIT, Inc., an Ohio-based senior housing real estate investment trust, from 1996 to June 2000. Prior to joining Health Care REIT, Inc. Mr. Lange was a Senior Vice President of Finance and a member of the executive management team of the Mediplex Group, Inc. and affiliated companies from 1992 to 1996. Mr. Lange holds a Master of Business Administration Degree from the University of Connecticut and a Bachelor s Degree in Urban Planning from the University of Massachusetts.

Mr. Griggs has served as an Executive Vice President since December 2000. Prior to joining BRE, Mr. Griggs served as a Senior Vice President of Development for Homestead Village, Inc., an operator of extended stay lodging properties and a subsidiary of Security Capital Group, Inc. from 1995 to December 2000. Mr. Griggs holds a Bachelor s Degree in Architecture from the California Polytechnic State University, in San Luis Obispo, California and is a registered California Architect.

Ms. Kuring was promoted to Executive Vice President in January 2003, and has served as an executive officer of BRE since November 2001. She served as Divisional Vice President, Pacific Northwest and Utah, from August 2000 to October 2001. From 1996 to August 2000, Ms. Kuring was a Vice President for Archstone Communities Trust, a Colorado-based multifamily real estate investment trust. She holds a Bachelor s Degree in Business Administration from Seattle University and is a Certified Property Manager.

There is no family relationship among any of our executive officers or Directors.

Item 1A. RISK FACTORS

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Annual Report on Form 10-K.

Risks Due to Investment in Real Estate

Decreased revenues or increased operating expenses may cause decreased yields from an investment in real property.

Real property investments are subject to varying degrees of risk. The yields available from investments in real estate depend upon the amount of revenues generated and expenses incurred. If properties do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, our results from operations and ability to make distributions to our shareholders will be adversely affected. The performance of the economy in each of the areas in which the properties are located affects occupancy, market rental rates and expenses. These factors consequently can have an impact on revenues from the properties and their underlying values. The financial results and labor decisions of major local employers may also have an impact on the revenues from and value of certain properties.

Other factors may further adversely affect revenues from and values of our properties. These factors include the general economic climate, local conditions in the areas in which properties are located such as an oversupply of apartment units or a reduction in the demand for apartment units, the attractiveness of the properties to residents, competition from other multifamily communities and our ability to provide adequate facilities maintenance, services and amenities. Our revenues would also be adversely affected if residents were unable to pay rent or we were unable to rent apartments on favorable terms. If we were unable to promptly relet or renew the leases for a significant number of apartment units, or if the rental rates upon renewal or reletting were significantly lower than expected rates, then our funds from operations would, and our ability to make expected distributions to our shareholders and to pay amounts due on our debt may, be adversely affected. There is also a risk that as leases on the properties expire, residents will vacate or enter into new leases on terms that are less favorable to us. Operating costs, including real estate taxes, insurance and maintenance costs, and mortgage payments, if any, do not, in general, decline when circumstances cause a reduction in income from a property. We could sustain a loss as a result of foreclosure on the property, if a property is mortgaged to secure payment of indebtedness and we were unable to meet our mortgage payments. In addition, applicable laws, including tax laws, interest rate levels and the availability of financing also affect revenues from properties and real estate values.

If we are unable to implement our growth strategy, or if we fail to identify, acquire or integrate new acquisitions, our results may suffer.

Our future growth will be dependent upon a number of factors, including our ability to identify acceptable properties for development and acquisition, complete acquisitions and developments on favorable terms, successfully integrate acquired and newly developed properties, and obtain financing to support expansion. We cannot assure that we will be successful in implementing our growth strategy, that growth will continue at historical levels or at all, or that any expansion will improve operating results. The failure to identify, acquire and integrate new properties effectively could have a material adverse effect on us and our ability to make distributions to our shareholders and to pay amounts due on our debt.

Development and construction projects may not be completed or completed successfully.

As a general matter, property development and construction projects typically have a higher, and sometimes substantially higher, level of risk than the acquisition of existing properties. We intend to actively pursue development and construction of multifamily apartment communities. We cannot assure that we will complete development of the properties currently under development or any other development project that we may undertake. Risks associated with our development and construction activities may include the following:

- development opportunities may be abandoned;
- construction costs of multifamily apartment communities may exceed original estimates, possibly making the communities uneconomical;
- occupancy rates and rents at newly completed communities may not be sufficient to make the communities profitable;
- financing for the construction and development of projects may not be available on favorable terms or at all;
- construction and lease-up may not be completed on schedule; and
- expenses of operating a completed community may be higher than anticipated.

In addition, development and construction activities, regardless of whether or not they are ultimately successful, typically require a substantial portion of management's time and attention. Development and construction activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy, and other required governmental permits and authorizations.

Investments in newly acquired properties may not perform in accordance with our expectations.

In the normal course of business, we typically evaluate potential acquisitions, enter into non-binding letters of intent, and may, at any time, enter into contracts to acquire and may acquire additional properties. However, we cannot assure that we will have the financial resources to make suitable acquisitions or those properties that satisfy our investment policies will be available for acquisition. Acquisitions of properties entail risks that investments will fail to perform in accordance with expectations. Estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property might prove inaccurate. Other risks may include rehabilitation costs exceeding original estimates, possibly making a project uneconomical; financing not being available on favorable terms or at all; and rehabilitation and lease-up not being completed on schedule. In addition, there are general real estate investment risks associated with any new real estate investment, including environmental risks. Although we undertake an evaluation of the physical condition of each new investment before it is acquired, certain defects or necessary repairs may not be detected until after the investment is acquired. This could significantly increase our total acquisition costs, which could have a material adverse effect on us and our ability to make distributions to our shareholders and pay amounts due on our debt.

Illiquidity of real estate and reinvestment risk may reduce economic returns to investors.

Real estate investments are relatively illiquid and, therefore, tend to limit our ability to adjust our portfolio in response to changes in economic or other conditions. Additionally, the Internal Revenue Code places certain limits on the number of properties a REIT may sell without adverse tax consequences. To affect our current operating strategy, we have in the past raised, and will seek to continue to raise additional funds, both through outside financing and through the orderly disposition of assets that no longer meet our investment criteria. Depending upon interest rates, current development and acquisition opportunities and other factors, generally we will reinvest the proceeds in additional multifamily properties, although such funds may be employed in other uses. In the markets we have targeted for future acquisition of multifamily properties, there is considerable buying competition from other real estate companies, many of which may have greater resources, experience or expertise than we. In many cases, this competition for acquisition properties has resulted in an increase in property prices and a decrease in property yields. Due to the relatively low capitalization rates currently prevailing in the pricing of potential acquisitions of multifamily properties which meet our investment criteria, we cannot assure that the proceeds realized from the disposition of assets, which no longer meet our investment criteria, can be reinvested to produce economic returns comparable to those being realized from the properties disposed of, or that we will be able to acquire properties meeting our investment criteria. If we are unable to reinvest proceeds from the assets that no longer meet our investment criteria, or if properties acquired with such proceeds produce a lower rate of return than the properties disposed of, our results of operations may be materially affected. In addition, a delay in reinvestment of such proceeds may have a material adverse effect on us.

We may seek to structure future dispositions as tax-free exchanges, where appropriate, utilizing the non-recognition provisions of Section 1031 of the Internal Revenue Code to defer income taxation on the disposition of the exchanged property. For an exchange of these properties to qualify for tax-free treatment under Section 1031 of the Internal Revenue Code, certain technical requirements must be met. Given the competition for properties meeting our investment criteria, it may be difficult for us to identify suitable properties within the applicable time frames in order to meet the requirements of Section 1031. Even if we can structure a suitable tax-deferred exchange, as noted above, we cannot assure that we will reinvest the proceeds of any of these dispositions to produce economic returns comparable to those currently being realized from the properties which were disposed of.

Substantial competition among multifamily properties and real estate companies may adversely affect our rental revenues and development and acquisition opportunities.

All of the properties currently owned by us are located in developed areas. There are numerous other multifamily properties and real estate companies, many of which have greater financial and other resources than we have, within the market area of each of our properties which compete with us for residents and development and acquisition opportunities. The number of competitive multifamily properties and real estate companies in these areas could have a material effect on (1) our ability to rent the apartments and the rents charged, and (2) development and acquisition opportunities. The activities of these competitors could cause us to pay a higher price for a new property than we otherwise would have paid or may prevent us from purchasing a desired property at all, which could have a material adverse effect on us and our ability to make distributions to our shareholders and to pay amounts due on our debt.

Our operations are concentrated in the Western United States; we are subject to general economic conditions in the regions in which we operate.

Our portfolio is primarily located in the San Francisco Bay Area, Los Angeles/Orange County, San Diego, Sacramento, Seattle and Phoenix. Our performance could be adversely affected by economic conditions in, and other factors relating to, these geographic areas, including supply and demand for apartments in these areas, zoning and other regulatory conditions and competition from other properties and alternative forms of housing. In that regard, certain of these areas have in the recent past experienced economic recessions and depressed conditions in the local real estate or rental markets. To the extent general economic or social conditions in any of these areas further deteriorate or any of these areas experiences natural disasters, the value of the portfolio, our results of operations and our ability to make distributions to our shareholders and to pay amounts due on our debt could be materially adversely affected.

Our insurance coverage is limited and may not cover all losses to our properties.

We carry comprehensive liability, fire, mold, extended coverage and rental loss insurance with respect to our properties with certain policy specifications, limits and deductibles. While as of December 31, 2007, we carried flood and earthquake insurance for our properties with an aggregate annual limit of $80,000,000, subject to substantial deductibles, we cannot assure that this coverage will be available on acceptable terms or at an acceptable cost, or at all, in the future, or if obtained, that the limits of those policies will cover the full cost of repair or replacement of covered properties. In addition, there may be certain extraordinary losses (such as those resulting from civil unrest or terrorist acts) that are not generally insured (or fully insured against) or underinsured losses (such as those resulting from claims in connection with the occurrence of mold, asbestos, and lead) because they are either uninsurable or not economically insurable. Should an uninsured or underinsured loss occur to a property, we could be required to use our own funds for restoration or lose all or part of our investment in, and anticipated revenues from, the property and would continue to be obligated on any mortgage indebtedness on the property. Any such loss could have a material adverse effect on us and our ability to make distributions to our shareholders and pay amounts due on our debt.

Adverse changes in laws may affect our potential liability relating to our properties and our operations.

Increases in real estate taxes and income, service and transfer taxes cannot always be passed through to residents or users in the form of higher rents, and may adversely affect our cash available for distribution and our ability to make distributions to our shareholders and to pay amounts due on our debt. Similarly, changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions, as well as changes in laws affecting development, construction and safety requirements, may result in significant unanticipated expenditures, which could have a material adverse effect on us and our ability to make distributions to our shareholders and pay amounts due on our debt. In addition, future enactment of rent control or rent stabilization laws or other laws regulating multifamily housing may reduce rental revenues or increase operating costs.

Compliance with laws benefiting disabled persons may require us to make significant unanticipated expenditures or impact our investment strategy.

A number of federal, state and local laws (including the Americans with Disabilities Act) and regulations exist that may require modifications to existing buildings or restrict certain renovations by requiring improved access to such buildings by disabled persons and may require other structural features which add to the cost of buildings under construction. Legislation or regulations adopted in the future may impose further burdens or restrictions on us with respect to improved access by disabled persons. The costs of compliance with these laws and regulations may be substantial, and limits or restrictions on construction or completion of certain renovations may limit implementation of our investment strategy in certain instances or reduce overall returns on our investments, which could have a material adverse effect on us and our ability to make distributions to our shareholders and to pay amounts due on our debt. We review our properties periodically to determine the level of compliance and, if necessary, take appropriate action to bring such properties into compliance. We believe, based on property reviews to date, that the costs of such compliance should not have a material adverse effect on us. These conclusions are based upon currently available information and data, and we cannot assure that further review and analysis of our properties, or future legal interpretations or legislative changes, will not significantly increase the costs of compliance.

The operations of BRE Property Investors LLC are limited.

Eight of our properties are held by BRE Property Investors LLC, which is referred to in this Annual Report on Form 10-K as the operating company. We are the sole managing member of the operating company and, as of December 31, 2007, held approximately a 93% equity interest in it. Third parties as non-managing members hold the remaining equity interests in the operating company.

Under the terms of the limited liability company agreement governing the operations of the operating company, the operating company is required to maintain certain debt service coverage, debt-to-asset and other financial ratios intended to protect the members' rights to receive distributions. In addition, with respect to the outstanding debt for one property, the operating company is restricted from repaying its debt or taking certain other specified actions that could have adverse tax consequences for the members. Further, we, as the managing member, are restricted from taking certain other specified actions either absolutely or without the consent of a majority in interest of the non-managing members (or of the non-managing members affected thereby) including, but not limited to, any actions:

- that would make it impossible to carry out the business of the operating company;
- that would subject a non-managing member to liability as a managing member; or
- that would cause the operating company to institute bankruptcy proceedings or permit an automatic judgment to be entered against it by a creditor.

The requirement to maintain financial ratios and the restrictions on the actions of the operating company and us as managing member could have a material adverse affect on us and our ability to make distributions to our shareholders and to pay amounts due on our debt.

Further, under the terms of the operating company s limited liability company agreement, the operating company must obtain the consent of a majority in interest of the non-managing members in order to dissolve the operating company other than in certain limited circumstances specified in the operating company s limited liability company agreement, such as a sale of all or substantially all of our assets, or any merger, consolidation or other combination by us with or into another person, or reclassification, recapitalization or change of our outstanding equity interests.

These restrictions on our ability to dispose of a portion of our properties and to dissolve the operating company, even when such a disposition or dissolution of the operating company would be in our best interest, could have a material adverse effect on us and our ability to make distributions to our shareholders and to pay amounts due on our debt.

The operating company also must distribute all available cash (as defined in the operating company s limited liability company agreement) on a quarterly basis as follows: first, a priority distribution to members (other than us) until each member has received, cumulatively on a per operating company unit basis, distributions equal to the cumulative dividends declared with respect to one share of BRE common stock over the corresponding period (subject to adjustment from time to time as applicable to account for stock dividends, stock splits and similar transactions affecting BRE common stock); and second, the balance to us.

If the operating company's available cash in any quarterly period is insufficient to permit distribution of the full amount of the priority distribution described above for that quarter, we are required to make a capital contribution to the operating company in an amount equal to the lesser of:

- the amount necessary to permit the full priority distribution, or
- an amount equal to the sum of any capital expenditures made by the operating company plus the sum of any payments made by the operating company on account of any loans to or investments in, or any guarantees of the obligations of, BRE or our affiliates for that quarterly period.

We may not voluntarily withdraw from the operating company or transfer all or any portion of our interest in the operating company without the consent of all of the non-managing members, except in certain limited circumstances, such as a sale of all or substantially all of our assets, or any merger, consolidation or other combination by us with or into another person, or any reclassification, recapitalization or change of our outstanding equity interests. Such restrictions on our withdrawal as the managing member of the operating company, and on our ability to transfer our interest in the operating company, could have a material adverse effect on us and our ability to make distributions to our shareholders and to pay amounts due on our debt.

Survey exceptions to certain title insurance policies may result in incomplete coverage in the event of a claim.

We have not obtained updated surveys for all of the properties we have acquired or developed. Because updated surveys were not always obtained, the title insurance policies obtained by us may contain exceptions for

matters that an updated survey might have disclosed. Such matters might include such things as boundary encroachments, unrecorded easements or similar matters, which would have been reflected on a survey. Moreover, because no updated surveys were prepared for some properties, we cannot assure that the title insurance policies in fact cover the entirety of the real property, buildings, fixtures, and improvements which we believe they cover, any of which could have a material adverse effect on us.

Risks Due to Real Estate Financing

We anticipate that future developments and acquisitions will be financed, in whole or in part, under various construction loans, lines of credit, and other forms of secured or unsecured financing or through the issuance of additional debt or equity by us. We expect periodically to review our financing options regarding the appropriate mix of debt and equity financing. Equity, rather than debt, financing of future developments or acquisitions could have a dilutive effect on the interests of our existing shareholders. Similarly, there are certain risks involved with financing future developments and acquisitions with debt, including those described below. In addition, if new developments are financed through construction loans, there is a risk that, upon completion of construction, permanent financing for such properties may not be available or may be available only on disadvantageous terms or that the cash flow from new properties will be insufficient to cover debt service. If a newly developed or acquired property is unsuccessful, our losses may exceed our investment in the property. Any of the foregoing could have a material adverse effect on us and our ability to make distributions to our shareholders and to pay amounts due on our debt.

We may be unable to renew, repay or refinance our outstanding debt.

We are subject to the normal risks associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest, the risk that indebtedness on our properties, or unsecured indebtedness, will not be able to be renewed, repaid or refinanced when due or that the terms of any renewal or refinancing will not be as favorable as the existing terms of such indebtedness. If we were unable to refinance our indebtedness on acceptable terms, or at all, we might be forced to dispose of one or more of the properties on disadvantageous terms, which might result in losses to us. Such losses could have a material adverse effect on us and our ability to make distributions to our shareholders and pay amounts due on our debt. Furthermore, if a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose upon the property, appoint a receiver and receive an assignment of rents and leases or pursue other remedies, all with a consequent loss of our revenues and asset value. Foreclosures could also create taxable income without accompanying cash proceeds, thereby hindering our ability to meet the REIT distribution requirements of the Internal Revenue Code.

Rising interest rates would increase the cost of our variable rate debt.

We have incurred and expect in the future to incur indebtedness and interest rate hedges that bear interest at variable rates. Accordingly, increases in interest rates would increase our interest costs, which could have a material adverse effect on us and our ability to make distributions to our shareholders or cause us to be in default under certain debt instruments. In addition, an increase in market interest rates may lead holders of our common shares to demand a higher yield on their shares from distributions by us, which could adversely affect the market price for our common stock.

We may incur additional debt in the future.

We currently fund the acquisition and development of multifamily communities partially through borrowings (including our lines of credit) as well as from other sources such as sales of properties which no longer meet our investment criteria or the contribution of property to joint ventures which may in turn secure debt. Our organizational documents do not contain any limitation on the amount of indebtedness that we may incur. Accordingly, subject to limitations on indebtedness set forth in various loan agreements, we could become more highly leveraged, resulting in an increase in debt service, which could have a material adverse effect on us and our ability to make distributions to our shareholders and to pay amounts due on our debt and in an increased risk of default on our obligations.

The restrictive terms of certain of our indebtedness may cause acceleration of debt payments.

At December 31, 2007, we had outstanding borrowings of approximately $1.9 billion. Our indebtedness contains financial covenants as to minimum net worth, interest coverage ratios, maximum secured debt, and total debt to capital, among others. In the event that an event of default occurs, our lenders may declare borrowings under the respective loan agreements to be due and payable immediately, which could have a material adverse effect on us and our ability to make distributions to our shareholders and to pay amounts due on our debt.

Failure to hedge effectively against interest rates may adversely affect results of operations.

We seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements, such as interest rate cap agreements and interest rate swap agreements. These agreements involve risks, such as the risk that the counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes and that a court could rule that such an agreement is not legally enforceable. Hedging may reduce overall returns on our investments. Failure to hedge effectively against interest rate changes may materially adversely affect our results of operations.

Potential Liability Under Environmental Laws

Under various federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances in, on, around or under such property. Such laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. The presence of, or failure to remediate properly, hazardous or toxic substances may adversely affect the owner's or operator's ability to sell or rent the affected property or to borrow using the property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of hazardous or toxic substances at a disposal or treatment facility, whether or not the facility is owned or operated by the person. Certain environmental laws impose liability for release of asbestos-containing materials into the air, and third parties may also seek recovery from owners or operators of real properties for personal injury associated with asbestos-containing materials and other hazardous or toxic substances. Federal and state laws also regulate the operation and subsequent removal of certain underground storage tanks. In connection with the current or former ownership (direct or indirect), operation, management, development and/or control of real properties, we may be considered an owner or operator of such properties or as having arranged for the disposal or treatment of hazardous or toxic substances and, therefore, may be potentially liable for removal or remediation costs, as well as certain other costs, including governmental fines, and claims for injuries to persons and property.

Our current policy is to obtain a Phase I environmental study on each property we seek to acquire and to proceed accordingly. We cannot assure, however, that the Phase I environmental studies or other environmental studies undertaken with respect to any of our current or future properties will reveal:

- all or the full extent of potential environmental liabilities;
- that any prior owner or operator of a property did not create any material environmental condition unknown to us;
- that a material environmental condition does not otherwise exist as to any one or more of such properties; or

that environmental matters will not have a material adverse effect on us and our ability to make distributions to our shareholders and to pay amounts due on our debt.

Certain environmental laws impose liability on a previous owner of property to the extent that hazardous or toxic substances were present during the prior ownership period. A transfer of the property does not relieve an owner of such liability. Thus, we may have liability with respect to properties previously sold by our predecessors or us.

Recently there has been an increasing number of lawsuits against owners and managers of multifamily properties alleging personal injury and property damage caused by the presence of mold in residential real estate. Some of these lawsuits have resulted in substantial monetary judgments or settlements. Insurance carriers have reacted to these liability awards by excluding mold related claims from standard policies and pricing mold endorsements separately. We have obtained a separate pollution insurance policy that covers mold-related claims and have adopted programs designed to minimize the existence of mold in any of our properties as well as guidelines for promptly addressing and resolving reports of mold. To the extent not covered by our pollution policy, the presence of significant mold could expose us to liability from residents and others if property damage, health concerns, or allegations thereof, arise.

Risks Associated with Our Disclosure Controls and Procedures and Internal Control over Financial Reporting

Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal control over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While management continues to review the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we can not assure you that our disclosure controls and procedures or internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, particularly material weaknesses, in internal control over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our stock price, or otherwise materially adversely affect our business, reputation, results of operation, financial condition or liquidity.

Ranking of Securities and Subordination of Claims

A portion of our operations is conducted through our subsidiaries, including the operating company. Our cash flow and the consequent ability to make distributions and other payments on our equity securities and to service our debt will be partially dependent upon the earnings of our subsidiaries and the distribution of those earnings to us, or upon loans or other payments of funds made by our subsidiaries to us. In addition, debt or other arrangements of our subsidiaries may impose restrictions that affect, among other things, our subsidiaries' ability to pay dividends or make other distributions or loans to us.

Likewise, a portion of our consolidated assets is owned by our subsidiaries, effectively subordinating certain of our unsecured indebtedness to all existing and future liabilities, including indebtedness, trade payables, lease obligations and guarantees of our subsidiaries. The operating company has guaranteed amounts due under our unsecured credit facility with a syndicate of banks. The operating company and other of our subsidiaries may also, from time to time, guarantee other of our indebtedness. Therefore, our rights and rights of our creditors, including the holders of other unsecured indebtedness, to participate in the assets of any subsidiary upon the latter's liquidation or reorganization will be subject to the prior claims of such subsidiary's creditors, except to the extent that we may ourselves be a creditor with recognized claims against the subsidiary, in which case our claims would still be effectively subordinate to any security interests in or mortgages or other liens on the assets of such subsidiary and would be subordinate to any indebtedness of such subsidiary senior to that held by us.

Provisions in our Charter and Bylaws That Could Limit a Change in Control or Deter a Takeover

In order to maintain our qualification as a REIT, not more than 50% in value of our outstanding capital stock may be owned, actually or constructively, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities). In order to protect us against risk of losing our status as a REIT due to a concentration of ownership among our shareholders, our charter provides that any shareholder must, upon demand, disclose to our board of directors in writing such information with respect to such shareholder s direct and indirect ownership of the shares of our stock as we deem necessary to permit us to comply or to verify compliance with the REIT provisions of the Internal Revenue Code, or the requirements of any other taxing authority. Our charter further provides, among other things, that if our board of directors determines, in good faith, that direct or indirect ownership of BRE stock has or may become concentrated to an extent that would prevent us from qualifying as a REIT, our board of directors may prevent the transfer of BRE stock or call for redemption (by lot or other means affecting one or more shareholders selected in the sole discretion of our board of directors) of a number of shares of BRE stock sufficient in the opinion of our board of directors to maintain or bring the direct or indirect ownership of BRE stock into conformity with the requirements for maintaining REIT status. These limitations may have the effect of precluding acquisition of control of us by a third party without consent of our board of directors.

In addition, certain other provisions contained in our charter and bylaws may have the effect of discouraging a third-party from making an acquisition proposal for us and may thereby inhibit a change in control. Our charter includes provisions granting our board of directors the authority to issue preferred stock from time to time and to establish the terms, preferences and rights of such preferred stock without the approval of our shareholders, restrictions on our shareholders ability to remove directors and fill vacancies on our board of directors, restrictions on unsolicited business combinations and restrictions on our shareholders ability to amend our charter. Our bylaws contain restrictions on our shareholders ability to call special meetings of our board of directors and to take action without a meeting, provisions granting our board of directors the power to amend our bylaws, provisions allowing our board of directors to increase its size, and restrictions on the transfer of shares of our capital stock with respect to the preservation of our REIT status. Such provisions may deter tender offers for BRE stock, which offers may be attractive to our shareholders, or deter purchases of large blocks of BRE stock, thereby limiting the opportunity for shareholders to receive a premium for their shares of BRE stock over then-prevailing market prices.

Tax Risks

Risks related to our REIT status.

We believe we have operated and intend to continue operating in a manner that will allow us to qualify as a REIT for federal income tax purposes under the Internal Revenue Code. However, we cannot assure you that we have in fact operated, or will be able to continue to operate, in a manner so as to qualify, or remain qualified, as a REIT. Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial or administrative interpretations and the determination of various factual matters and circumstances not entirely within our control. For example, in order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the composition of our assets and a requirement that at least 95% of our gross income in any year must be derived from qualifying sources, such as rents from real property. Also, we must make distributions to shareholders aggregating annually at least 90% of our net taxable income, excluding net capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may materially adversely affect our investors, our ability to qualify as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

Even if we qualify as a REIT for federal income tax purposes, we may be subject to some federal, state and local taxes on our income or property and, in certain cases, a 100% penalty tax, in the event we sell property as a dealer.

If we fail to qualify as a REIT, we will be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at corporate rates, which would likely have a material adverse effect on us, our share price and our ability to make distributions to our shareholders and to pay amounts due on our debt. In addition, unless entitled to relief under certain statutory provisions, we would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. This treatment would reduce funds available for investment or distribution to our shareholders because of the additional tax liability to us for the year or years involved. In addition, we would no longer be required to make distributions to our shareholders. To the extent that distributions to our shareholders would have been made in anticipation of qualifying as a REIT, we might be required to borrow funds or to liquidate certain investments to pay the applicable tax. Finally, we cannot assure you that new legislation, new regulations, administrative interpretations or court decisions will not change the tax laws with respect to qualification as a REIT or the federal income tax consequences of such qualification.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

General

In addition to the information in this Item 2, certain information regarding our property portfolio is contained in Schedule III (financial statement schedule) under Part IV, Item 15(a) (2).

Multifamily Property Data

Our multifamily properties represent 99% of our real estate portfolio and 99% of our total revenue.

Multifamily Properties	2007	2006	2005	2004	2003
Percentage of total portfolio at cost, as of December 31	99%	99%	99%	100%	100%
Percentage of total revenues, for the year ended December 31	99%	99%	99%	99%	99%

No single multifamily property accounted for more than 10% of revenues in any of the five years ended December 31, 2007.

This table summarizes information about our 2007 operating multifamily properties:

Market	Number of Communities	Units	Percentage of Revenue[1]	Percentage of NOI[1]	Occupancy[2]	Market Rent[3]
San Diego	13	3,958	20%	20%	94%	$ 1,523
San Francisco Bay Area	10	3,488	18%	18%	95%	$ 1,605
Inland Empire	13	3,553	14%	14%	91%	$ 1,307
Seattle	13	3,491	14%	14%	94%	$ 1,229
Orange County	8	2,545	13%	13%	94%	$ 1,563
Los Angeles	10	2,075	12%	12%	95%	$ 1,766
Sacramento	8	1,796	6%	6%	94%	$ 1,125
Phoenix	2	902	3%	3%	93%	$ 1,006
Total/Weighted Average	77	21,808	100%	100%	94%	$ 1,424

The following table discloses certain operating data about our consolidated multifamily units:

	December 31,				
	2007	2006	2005	2004	2003
Total number of units	21,808	22,680	23,954	24,198	22,981
Portfolio occupancy[4]	94%	94%	94%	94%	94%
Average monthly rent per unit	$ 1,424	$ 1,363	$ 1,191	$ 1,133	$ 1,078
Total number of properties	77	81	85	85	80

1 Represents the aggregate revenue and net operating income (NOI) from properties in each market divided by the total revenue and net operating income of multifamily properties for the year ended December 31, 2007. Excludes NOI from properties sold in 2007.

2 Represents average physical occupancy for all stabilized properties for the twelve months ended December 31, 2007. The total is a weighted average by units for all communities shown.

3 Represents average prevailing market rent per unit for the twelve months ended December 31, 2007. The total is a weighted average by units for all communities shown.

4 Portfolio occupancy is calculated by dividing the total occupied units by the total units in the portfolio at the end of the year. Apartment units are generally leased to residents for rental terms not exceeding one year.

The following table summarizes our same-store operating results. Same-store properties are defined as properties that have been completed, stabilized and owned by us for at least two years.

	December 31,				
	2007	2006	2005	2004	2003
Number of same-store units	19,233	19,104	18,286	19,012	18,656
Same-store units % of total units	89%	84%	76%	79%	81%
Same-store revenue increase (decrease)	5.0%	6.2%	4.2%	0.3%	(3.7%)
Same-store expense increase	1.5%	7.0%	2.1%	2.9%	2.1%
Same-store NOI increase (decrease)	6.5%	5.9%	5.2%	(0.8%)	(6.0%)

Our business focus is the ownership, development and operation of multifamily communities; we evaluate performance and allocate resources primarily based on the net operating income (NOI) of an individual multifamily community. We define NOI as the excess of all revenue generated by the community (primarily rental revenue) less direct real estate expenses. Accordingly, NOI does not take into account community-specific costs such as depreciation, capitalized expenditures and interest expense. NOI, including NOI from discontinued operations, totaled approximately $255,000,000, $259,000,000, and $229,000,000 for the years ended December 31, 2007, 2006, and 2005, respectively.

A reconciliation of net income available to common shareholders to NOI for the three years ended December 31 is as follows:

	Years ended December 31		
	2007	2006	2005
	(amounts in thousands)		
Net income available to common shareholders	$ 109,191	$ 102,322	$ 63,075
Interest expense	82,752	80,199	76,553
Provision for depreciation, including discontinued operations	79,949	74,834	74,276
Minority interests in income from consolidated subsidiaries	2,279	3,422	3,535
Gain on sales of investments and rental properties	(55,957)	(38,302)	(26,897)
General and administrative expense	18,241	17,881	17,816
Dividends attributable to preferred stock	16,122	17,873	17,873
Other expenses		1,138	2,670
Redemption related preferred stock issuance cost	2,768		
Net operating income	$ 255,345	$ 259,367	$ 228,901

We consider community level and portfolio-wide NOI to be an appropriate supplemental measure to net income because it helps both investors and management to understand the core property operations prior to the allocation of any corporate-level property management overhead or general and administrative costs. This is more reflective of the operating performance of the real estate, and allows for an easier comparison of the operating performance of single assets or groups of assets. In addition, because prospective buyers of real estate have different overhead structures, with varying marginal impact to overhead by 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.

However, because NOI excludes depreciation and does not capture the change in the value of our communities resulting from operational use and market conditions, nor the level of capital expenditures required to adequately maintain the communities (all of which have real economic effect and could materially impact our results from operations), the utility of NOI as a measure of our performance is limited. Other equity REITs may not calculate NOI consistently with our definition and, accordingly, our NOI may not be comparable to such other REITs NOI. As a result, NOI should be considered only as a supplement to net income as a measure of our performance. NOI should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions. NOI also should not be used as a supplement to or substitute for cash flow from operating activities (computed in accordance with generally accepted accounting principles in the United States GAAP).

Development Properties

The following table provides data on our ten multifamily properties that were under various stages of development and construction at December 31, 2007. Completion of the development properties is subject to a number of risks and uncertainties, including construction delays and cost overruns. We cannot assure that these properties will be completed, or that they will be completed by the estimated dates, or for the estimated amounts, or will contain the number of proposed units shown in the table below.

(Dollar amounts in millions)

Property Name	Location	Proposed Number of Units	Costs Incurred to Date December 31, 2007[1]	Estimated Total Cost	Estimated Cost to Complete	Estimated Completion Date[2]
Construction in Progress						
The Stuart at Sierra Madre Villa	Pasadena, CA	188	$ 62.1	$ 62.2	$ 0.1	1Q/2008
Renaissance at Uptown Orange	Orange, CA	460	114.6	114.7	0.1	1Q/2008
Avenue 64	Emeryville, CA	224	67.7	68.0	0.3	1Q/2008
5600 Wilshire	Los Angeles, CA	284	91.3	134.2	42.9	1Q/2009
Park Viridian	Anaheim, CA	320	43.3	89.2	45.9	4Q/2009
Taylor 28 Apartments	Seattle, WA	197	20.8	59.8	39.0	2Q/2009
Belcarra Apartments	Bellevue, WA	296	27.4	83.7	56.3	1Q/2010
Total Construction in Progress		1,969	$ 427.2	$ 611.8	$ 184.6	

Property Name	Location	Proposed Number of Units	Costs Incurred to Date December 31, 2007	Estimated Total Cost	Estimated Construction Start
Land Owned[3]					
Crossings	Santa Clara, CA	271	17.4	86.5	1H/2008
Wilshire La Brea	Los Angeles, CA	645	75.2	320.3	1H/2009
Pleasanton	Pleasanton, CA	240	11.5	72.1	2H/2009
Stadium Park II	Anaheim, CA	TBD	21.3	TBD	TBD
Total Land Owned		1,156	$ 125.4	$ 478.9	

[1] Reflects all recorded costs incurred as of December 31, 2007, recorded on our consolidated balance sheets as direct investments in real estate-construction in progress. Included in this amount is $66.4 million of costs for the 332 completed units on Renaissance at Uptown Orange, $28.1 million of costs for the 118 completed units on The Stuart at Sierra Madre and $34.8 million of costs for the 158 completed units on Avenue 64 which are reflected on our Consolidated Balance Sheet as direct investments in real estate-investments in rental properties.

[2] Completion is defined as our estimate of when an entire project will have a final certificate of occupancy issued and be ready for occupancy. Completion dates have been updated to reflect our current estimates of receipt of final certificates of occupancy, which are dependent on several factors, including construction delays and the inability to obtain necessary public approvals.

[3] Land owned represents projects in various stages of pre-development, development, and initial construction, for which construction or supply contracts have not yet been finalized. As these contracts are finalized, projects are transferred to construction in progress on our consolidated balance sheet.

Insurance, Property Taxes and Income Tax Basis

We carry comprehensive liability, fire, pollution, extended coverage and rental loss insurance on our properties with certain policy specifications, limits and deductibles. In addition, at December 31, 2007, we carried flood and earthquake coverage with an annual aggregate limit of $80,000,000 (after policy deductibles ranging from 2%-5% of damages). Management believes the properties are adequately covered by such insurance.

Property taxes on portfolio properties are assessed on asset values based on the valuation method and tax rate used by the respective jurisdictions. The gross carrying value of our direct investments in operating rental properties was $2,823,279,000 as of December 31, 2007. On the same date our assets had an underlying federal income tax basis of approximately $2,640,790,000, reflecting, among other factors, the carryover of basis on tax-deferred exchanges.

Headquarters

We lease our corporate headquarters at 525 Market Street, 4th Floor, San Francisco, California, 94105-2712, from Knickerbocker Properties, Inc., a Delaware corporation. The lease covers 28,339 rentable square feet at annual per square foot rents, which were $22.00 as of December 31, 2007. The lease term ends on February 1, 2016. We also maintain regional offices in: Seattle, Washington; Irvine and San Diego, California; Phoenix, Arizona; and Denver, Colorado.

Item 3. LEGAL PROCEEDINGS

The Company is involved in various legal actions arising in the ordinary course of business. As of December 31, 2007, there were no pending legal proceedings to which we are a party or of which any of our properties is the subject, which management anticipates would have a material adverse effect upon our consolidated financial condition and results of operations.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

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

Our common stock is traded on the New York Stock Exchange under the symbol BRE . As of January 31, 2008, there were approximately 3,801 recordholders of BRE s common stock and the last reported sales price on the NYSE was $43.45. The number of holders does not include shares held of record by a broker or clearing agency, but does include each such broker or clearing agency as one recordholder. As of January 31, 2008, there were approximately 15,300 beneficial holders of BRE s common stock.

This table shows the high and low sales prices of our common stock reported on the NYSE Composite Tape and the dividends we paid for each common share:

	Years ended December 31,					
	2007			2006		
	Stock Price		Dividends	Stock Price		Dividends
	High	Low	Paid	High	Low	Paid
First Quarter	$ 71.77	$ 61.10	$ 0.5375	$ 56.68	$ 45.50	$ 0.5125
Second Quarter	$ 64.84	$ 56.80	$ 0.5375	$ 56.70	$ 49.50	$ 0.5125
Third Quarter	$ 59.72	$ 50.33	$ 0.5375	$ 60.20	$ 54.82	$ 0.5125
Fourth Quarter	$ 59.83	$ 39.97	$ 0.5375	$ 66.30	$ 59.18	$ 0.5125

Since 1970, when BRE was founded, we have made regular and uninterrupted quarterly distributions to shareholders. The payment of distributions by BRE is at the discretion of the Board of Directors and depends on numerous factors, including our cash flow, financial condition and capital requirements, REIT provisions of the Internal Revenue Code and other factors.

Limited partnership units in BRE Property Investors LLC exchanged for shares of BRE common stock totaled zero and 113,737 for the three months and year ended December 31, 2007, respectively.

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2007, for all of our equity compensation plans, including our Amended and Restated 1992 Employee Stock Plan, our 1999 Stock Incentive Plan and our Second Amended and Restated Non-Employee Director Stock Option and Restricted Stock Plan:

	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights ($) (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans Excluding Securities Reflected in Column (a) (c)
Plan Category			
Equity compensation plans approved by security holders	1,592,178	$ 32.37	504,518
Equity compensation plans not approved by security holders			
Total	1,592,178	$ 32.37	504,518

COMPARATIVE STOCK PERFORMANCE

The line graph below compares the cumulative total shareholder return on BRE Common Stock for the last five years with the cumulative total return on the S&P 500 Index and the Morgan Stanley REIT Index over the same period. This comparison assumes that the value of the investment in the Common Stock and in each index was $100 on December 31, 2002 and that all dividends were reinvested (1).

BRE Properties, Inc.

	Period Ending					
Index	**12/31/2002**	**12/31/2003**	**12/31/2004**	**12/31/2005**	**12/31/2006**	**12/31/2007**
BRE Properties, Inc.	100.00	113.72	144.80	171.39	254.00	164.77
S&P 500	100.00	128.68	142.69	149.70	173.34	182.86
MSCI US REIT (RMS)	100.00	136.74	179.80	201.61	274.03	227.95

(1) Common Stock performance data is provided by SNL Securities and is calculated using the ex-dividend date.

(2) Indicates appreciation of $100 invested on December 31, 2002 in BRE Common Stock, S&P 500, and Morgan Stanley REIT Index securities, assuming reinvestment of dividends discussed above.

Recent Sales of Unregistered Securities; Use of Proceeds from Unregistered Securities

During the year ended December 31, 2007, an aggregate 113,737 limited partnership units in BRE Property Investors LLC were exchanged for shares of BRE common stock with a one to one exchange ratio. The exchange of limited partnership units for shares of our common stock was exempt from the registration requirements of the Securities Act pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D.

Item 6. SELECTED FINANCIAL DATA

The selected financial data below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes. The results are affected by numerous acquisitions and dispositions as discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations. Therefore, the consolidated financial statements and notes thereto included elsewhere in this report are not directly comparable to prior years.

	2007	2006	2005	2004	2003
		(Amounts in thousands, except per share data)			
Operating Results					
Rental and ancillary revenues	$ 345,163	$ 318,590	$ 287,595	$ 249,788	$ 226,248
Revenues from discontinued operations	9,478	18,024	33,710	47,405	48,535
Partnership and other income	7,920	27,972	7,960	3,190	2,344
Total revenues	$ 362,561	$ 364,586	$ 329,265	$ 300,383	$ 277,127
Net income available to common shareholders	$ 109,191	$ 102,322	$ 63,075	$ 61,427	$ 70,175
Plus:					
Net gain on sales of discontinued operations	(55,957)	(38,302)	(26,897)	(19,925)	(23,147)
Depreciation from continuing operations	79,008	72,671	68,927	54,590	43,436
Depreciation from discontinued operations	941	2,163	5,349	9,622	9,916
Depreciation related to unconsolidated entities	1,285	844	836	1,013	1,094
Minority interest convertible into common shares	1,857	1,976	2,040	1,915	2,216
Funds from operations (FFO)[1]	$ 136,325	$ 141,674	$ 113,330	$ 108,642	$ 103,690
Other expenses[2]	$	$ 1,138	$ 2,670	$ 6,807	$ 7,305
Redemption related preferred stock issuance cost[3]	$ 2,768	$	$	$	$
Net cash flows generated by operating activities	$ 157,896	$ 171,641	$ 125,428	$ 138,664	$ 117,820
Net cash flows used in investing activities	$ (216,391)	$ (97,077)	$ (144,214)	$ (255,413)	$ (149,188)
Net cash flows generated by (used in) financing activities	$ 55,365	$ (83,025)	$ 37,329	$ 115,644	$ 31,580
Dividends paid to common and preferred shareholders and distributions to minority members	$ 128,092	$ 125,994	$ 123,041	$ 112,330	$ 105,829
Weighted average shares outstanding basic	50,735	50,925	50,930	50,200	47,070
Dilutive effect of stock based awards	1,045	1,225	860	625	375
Weighted average shares outstanding diluted (EPS)	51,780	52,150	51,790	50,825	47,445
Plus Operating Company Units[4]	870	975	1,020	985	1,145
Weighted average shares outstanding diluted (FFO)	52,650	53,125	52,810	51,810	48,590
Operating company units outstanding at end of period	845	959	1,020	1,019	973
Net income per share basic	$ 2.15	$ 2.01	$ 1.24	$ 1.22	$ 1.49
Net income per share assuming dilution	$ 2.11	$ 1.96	$ 1.22	$ 1.21	$ 1.48
Dividends paid to common shareholders	$ 2.15	$ 2.05	$ 2.00	$ 1.95	$ 1.95
Balance sheet information and other data					
Real estate portfolio, net of depreciation	$ 2,881,640	$ 2,752,280	$ 2,639,395	$ 2,480,417	$ 2,184,947
Total assets	$ 2,953,660	$ 2,823,491	$ 2,704,390	$ 2,518,941	$ 2,233,264
Total debt	$ 1,919,082	$ 1,668,910	$ 1,560,574	$ 1,378,566	$ 1,192,329
Minority interest	$ 30,980	$ 100,544	$ 61,675	$ 35,675	$ 38,859
Shareholders equity	$ 923,192	$ 976,845	$ 1,026,142	$ 1,046,647	$ 956,803

[1] FFO is used by industry analysts and investors as a supplemental performance measure of an equity REIT. FFO is defined by the National Association of Real Estate Investment Trusts as net income or loss (computed in accordance with accounting principles generally accepted in the United States) excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated real estate assets, plus depreciation and amortization of real estate assets and adjustments for unconsolidated partnerships and joint ventures. We calculate FFO in accordance with the NAREIT definition.

We believe that FFO is a meaningful supplemental measure of our operating performance because historical cost accounting for real estate assets in accordance with GAAP assumes that the value of real estate assets diminishes predictably over time, as reflected through depreciation. Because real estate values have historically risen or fallen with market conditions, management considers FFO an appropriate supplemental performance measure because it excludes historical cost depreciation, as well as gains or losses related to sales of previously depreciated property, from GAAP net income. By excluding depreciation and gains or losses on sales of real estate, management uses FFO to measure returns on its investments in real estate assets. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. Management also believes that FFO, combined with the required GAAP presentations, is useful to investors in providing more meaningful comparisons of the operating performance of a company s real estate between periods or as compared to other companies. FFO does not represent net income or cash flows from operations as defined by GAAP and is not intended to indicate whether cash flows will be sufficient to fund cash needs. It should not be considered an alternative to net income as an indicator of a REIT s operating performance or to cash flows as a measure of liquidity. Our FFO may not be comparable to the FFO of other REITs due to the fact that not all REITs use the NAREIT definition or apply/interpret the definition differently.

[2] Other expenses for 2006 total $1,138,000. Other expenses represent $576,000 of prepayment charges associated with the early retirement of $150,000,000 of senior unsecured notes scheduled to mature March 2007 and the remaining $562,000 related to litigation and consulting costs incurred in connection with the construction defect litigation related to our Red Hawk Ranch Community, located in Fremont, California and various subcontractors. Other expenses for 2005 represent Red Hawk Ranch litigation and consulting costs. Other expenses for 2004 represent a CEO retirement charge of $4,100,000 and Red Hawk Ranch litigation and consulting costs totaling $2,670,0000. Other expenses for 2003 represents legal settlement charges related to the settlement of two lawsuits during the third quarter.

[3] Represents preferred stock issuance costs related to the redemption of our 8.08% Series B Cumulative Redeemable Preferred Stock during the quarter ended September 30, 2007.

[4] Under SFAS 128, Earnings per Share, common share equivalents deemed to be anti-dilutive are excluded from the diluted per share calculations.

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Executive Summary

We are a self-administered equity real estate investment trust or REIT focused on the development, acquisition and management of multifamily apartment communities in six metropolitan markets of the Western United States. At December 31, 2007, our portfolio had real estate assets with a net book value of approximately $2.9 billion that included 77 wholly or majority owned completed apartment communities, aggregating 21,808 units; thirteen multifamily communities owned in joint ventures, comprised of 4,080 apartment units; and ten apartment communities in various stages of construction and development, totaling 3,125 units. We earn revenue and generate cash primarily by collecting monthly rent from our apartment residents.

Our 2007 operating results reflect continued improvement to operating fundamentals as a result of increased job growth in all of our operating markets. During the year, same-store market rents increased on average 4.3%, supporting annual same-store revenue growth of 5.0%. Additionally, portfolio-wide physical occupancy averaged more than 94% and turnover was 62%.

We continued to recycle capital with a program initiated in 2000, which was focused on concentrating our portfolio in Coastal California and Seattle, Washington. During 2007 we reduced our investment levels in Phoenix and Sacramento through the contribution of one operating community in Phoenix to a joint venture and the sale of two properties in Sacramento. The result of the recycling program is that 77% of our 2007 revenue came from the coastal supply constrained markets of Costal California (63%) and Seattle, Washington (14%).

In a year when the credit markets collapsed and fundamentals eroded for many businesses, we were able to produce double digit earnings growth. Operating fundamentals remain resilient and positive in the San Francisco Bay Area, Seattle, Los Angeles and San Diego, where physical occupancies range 94% to 95% and economic conditions support market rent growth. These operating markets represent approximately 65% of the Company s revenue. Market rent and rental revenue growth for these markets totaled 5.7% and 6.7% in 2007, respectively.

During the second half of 2007, job losses in Orange County impacted demand fundamentals, reducing prospective resident traffic levels greater than typical seasonal patterns. Physical occupancy levels in this market remain 94% to 95%, with market rent growth at or about 4%. The Company s operating markets in Sacramento, San Bernadino County (Inland Empire), and Phoenix were impacted by an oversupply of single-family homes that are competing with apartment communities. Physical occupancy levels in these markets range 91% to 94%, with current market conditions that will not support market rent growth.

Our 77 wholly or majority owned apartment communities can be categorized as follows to better understand our overall results:

19,233 units in 67 communities were completed and stabilized for all of 2007 and 2006 (same-store communities);

930 units in four communities were acquired in 2006 and as a result did not have comparable year-over-year operating results;

664 units in three development communities were completed and in lease up during 2007 and 2006 and as a result did not have comparable year-over-year operating results.

701 units in two communities that required significant rehab work.

280 units in one community held for sale as of December 31, 2007.

In addition to year-over-year economic operating performance, our results of operations for the three years ended December 31, 2007, were affected by income derived from acquisitions and completions of apartment communities, offset by the cost of capital associated with financing these transactions. Our book capitalization grew to $2.9 billion at December 31, 2007, from $2.5 billion at December 31, 2004, reflecting capital raised through offerings of debt.

RESULTS OF OPERATIONS

Comparison of the Years ended December 31, 2007, 2006 and 2005

Revenues

Total revenues were $362,561,000 in 2007, $364,586,000 in 2006 and $329,265,000 in 2005, including revenues from discontinued operations. The increase in rental and ancillary income in 2007, 2006 and 2005 was derived from properties acquired and developed along with an increase in same store revenues. A summary of revenues for the years ended December 31, 2007, 2006 and 2005 follows:

	2007 Total	% of Total Revenues	2006 Total	% of Total Revenues	2005 Total	% of Total Revenues
Rental income	$ 330,810,000	91%	$ 304,445,000	84%	$ 274,962,000	84%
Ancillary income	14,353,000	4%	14,145,000	4%	12,633,000	4%
Revenues from discontinued operations	9,478,000	3%	18,024,000	5%	33,710,000	10%
Partnership income	2,133,000	1%	1,150,000	%	4,859,000	1%
Other income	5,787,000	1%	26,822,000	7%	3,101,000	1%
Total revenue	$ 362,561,000	100%	$ 364,586,000	100%	$ 329,265,000	100%

Rental and Ancillary Income

As described above, a portion of the increase in rental and ancillary revenues relates to acquired and developed communities. The following table summarizes our multifamily property acquisitions, development properties completed and dispositions for the years ended December 31, 2007, 2006 and 2005 (dollar amounts are gross acquisition costs in the case of acquisitions, total delivered cost in the case of development communities completed and gross sales prices in the case of property dispositions). During the second half of 2007, we commenced the delivery of units and leaseup of three development communities. Final certificates of occupancy for Avenue 64 in Emeryville, CA, Renaissance at Uptown Orange in Orange, CA and The Stuart at Sierra Madre in Pasadena, CA are expected during the first quarter of 2008.

	2007		2006		2005	
	# of units	$	# of units	$	# of units	$
Multifamily						
Property acquisitions			246	53,000,000	684	128,400,000
Development properties completed			664	120,600,000		
Property dispositions	873	100,400,000	2,184	235,000,000	928	89,200,000

The property acquisitions and development properties completed, noted above, are considered Non same-store communities and increased rental and ancillary revenues by $12,158,000 and $15,626,000 for the years ended December 31, 2007 and 2006, respectively. In 2007, on a same-store basis, rental and ancillary revenues increased $14,415,000, or 5.0%, primarily due to positive market rent trends. Monthly market rents in the same-store portfolio grew to $1,417 per unit from $1,364, or 4.3%, per unit in 2007. In 2006, on a same-store basis, rental and ancillary revenues increased $15,369,000, or 6.2%, primarily due to positive market rent trends.

	2007 Increase	2006 Increase
Same-store Communities	$ 14,415,000	$ 15,369,000
Non Same-store Communities	12,158,000	15,626,000
Total increase in rental and ancillary revenues from continuing operations	$ 26,573,000	$ 30,995,000

	2007	2006	2005
Number of wholly or majority owned operating properties at December 31,	77	81	85
Average portfolio occupancy rates for operating properties	94%	94%	94%

Portfolio occupancy is calculated by dividing the total occupied units by the total units in stabilized communities in the portfolio.

Other income

Other income totaled $5,787,000, $26,822,000 and $3,101,000 for the years ended December 31, 2007, 2006 and 2005, respectively. The 2007 total includes: 1) $1,900,000 in litigation settlement proceeds related to Pinnacle Galleria, 2) $1,400,000 in management fees and 3) interest income of $1,900,000. The 2006 total includes: 1) Red Hawk Ranch construction defect suit settlement proceeds of $19,500,000, 2) gains on the sales of land parcels totaling approximately $3,500,000, and 3) interest income totaling $2,255,000. Other income for the 2005 includes $1,025,000 in bankruptcy proceeds from a former subsidiary and interest income of $690,000.

Partnership income

Partnership income totaled $2,133,000, $1,150,000 and $4,859,000 for the years ended December 31, 2007, 2006 and 2005, respectively. The totals for each year include our share of income from two joint ventures we formed in 2001. The 2007 and 2006 results also include our share of income from the seven joint ventures formed in Denver and Phoenix in April of 2006. The 2007 results include our share of income from four additional joint ventures formed in Denver and Phoenix in 2007. The 2005 results include activity from a venture formed in 2000 and sold in December of 2005. The gain on sale of our partnership interest totaled $4,575,000 and is included in the 2005 total.

Expenses

Real estate expenses

A summary of real estate expenses, excluding discontinued operations, follows:

	2007	2006	2005
Real estate expenses	$ 103,584,000	$ 98,207,000	$ 88,141,000
Real estate expenses as a percent of rental and ancillary income from continuing operations	30%	31%	31%
Same-store expense % change	1.5%	7.0%	2.1%

Real estate expenses for multifamily rental properties (which include repairs and maintenance, utilities, on-site staff payroll, property taxes, insurance, advertising and other direct operating expenses) increased $5,377,000, or 5.5%, for the year ended December 31, 2007, as compared to the prior year. Same store expenses increased $1,327,000, or 1.5%, $5,557,000, or 7.0%, and $1,560,000, or 2.1%, in 2007, 2006 and 2005, respectively. The 2006 expense growth was greater than historical levels as we experienced significant increases in resident turnover costs, payroll and property insurance. Resident turnover costs are primarily comprised of flooring, carpet and appliance replacements, paint and labor charges. Real estate expenses shown in the table above exclude real estate expense from discontinued operations which totaled $3,632,000, $7,012,000 and $12,223,000 for 2007, 2006 and 2005, respectively.

Provision for depreciation

The provision for depreciation totaled $79,008,000, an increase of $6,337,000, or 9%, for the year ended December 31, 2007 compared to 2006, and increased $3,744,000, or 5%, for the year ended December 31, 2006 compared to 2005. The increases in 2007 and 2006 resulted primarily from higher depreciable bases on new property acquisitions and development properties completed.

Interest expense

During the past three years, our interest expense has increased due to higher average debt balances to support our acquisition and development activities and a rising floating interest rate environment in 2007 and 2006. On March 13, 2007, we completed an offering of $300,000,000 of 10-year senior unsecured notes with a fixed coupon of 5.50%. In addition, we issued $460,000,000 of convertible unsecured notes with a coupon of 4.125% in August of 2006, redeemed $150,000,000 of unsecured notes with a coupon of 5.95% in September of 2006 and issued $150,000,000 of unsecured notes with a coupon of 4.875% in May of 2005. Capitalized interest has increased each year as our average development advances outstanding totaled $424,900,000, $279,992,000 and $205,454,000 for the years ended December 31, 2007, 2006 and 2005, respectively. Interest expense for the years ended December 31, 2007, 2006 and 2005 follows:

	2007	**2006**	**2005**
Interest on unsecured senior notes	$ 84,101,000	$ 67,148,000	$ 60,356,000
Interest on mortgage loans payable	11,137,000	12,463,000	12,647,000
Interest on lines of credit	11,611,000	16,382,000	14,893,000
Total interest incurred	$ 106,849,000	$ 95,993,000	$ 87,896,000
Capitalized interest	(24,097,000)	(15,794,000)	(11,343,000)
Total interest expense	$ 82,752,000	$ 80,199,000	$ 76,553,000

Year-end debt balances at December 31, 2007, 2006 and 2005 follow:

	2007	**2006**	**2005**
Unsecured senior notes	$ 1,540,000,000	$ 1,290,000,000	$ 980,000,000
Mortgage loans payable	174,082,000	188,910,000	204,574,000
Lines of credit	205,000,000	190,000,000	376,000,000
Total debt	$ 1,919,082,000	$ 1,668,910,000	$ 1,560,574,000
Weighted average interest rate for all debt at end of period	5.7%	5.8%	6.0%

General and administrative expenses

General and administrative expenses for the three years ended December 31, 2007 were as follows:

	2007	**2006**	**2005**
General and administrative expenses	$ 18,241,000	$ 17,881,000	$ 17,816,000
Annual increase as a percentage	2.0%	0.3%	40.8%
As a percentage of rental and ancillary revenues (including revenues from discontinued operations)	5.1%	5.3%	5.4%

The 40.8% expense increase in 2005 is primarily due to changes in the long term incentive compensation plan for executive officers, increased professional fees and additional staffing expense. Stock based compensation expense included in general and administrative expense totaled $3,868,000, $3,865,000 and $2,704,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

Office rent totaling $1,032,000, $986,000 and $1,504,000 for the years ended December 31, 2007, 2006 and 2005, respectively, is included in general and administrative expense.

Other expenses

Other expenses totaled zero, $1,138,000 and $2,670,000 for the years ended December 31, 2007, 2006 and 2005, respectively. Other expenses in 2006 represent $576,000 of prepayment charges associated with the early retirement of the $150,000,000 of senior unsecured notes scheduled to mature March 2007 and $562,000 related to litigation and consulting costs incurred in connection with the construction defect litigation related to our Red Hawk Ranch Community, located in Fremont, California and various subcontractors. Other expenses totaled $2,670,000 in 2005, representing the litigation and consulting costs incurred in connection with the construction defect litigation we pursued against the builder of our Red Hawk Ranch Community.

Minority interests in income

Minority interests in income relate to the earnings attributable to the minority members of our consolidated subsidiaries and were $2,279,000 for the year ended December 31, 2007, down from $3,422,000 and $3,535,000 for the year ended December 31, 2006 and 2005, respectively. Minority interests in income, primarily decreased in 2007 as a result of the consolidation of a variable interest entity under the provisions of FASB Interpretation No. 46, Consolidation of Variable Interest Entities in 2006. The purchase of the property was completed in November of 2006. Conversions of operating company units to common shares totaled 113,737, 60,575 and zero for the years ended December 31, 2007, 2006 and 2005, respectively.

Discontinued operations

SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, requires the results of operations for properties sold during the period or designated as held for sale at the end of the period to be classified as discontinued operations. The property-specific components of net earnings that are classified as discontinued operations include all property-related revenues and operating expenses, depreciation expense recognized prior to the classification as held for sale, and property-specific interest expense to the extent there is secured debt on the property. In addition, the net gain or loss on the eventual disposal of properties held for sale is reported as discontinued operations.

On July 11, 2007, we contributed one community with a total value of $52,000,000 and 432 units located in Phoenix, Arizona, classified as held for sale at June 30, 2007, to a newly formed joint venture in exchange for 15% equity interest in the joint venture and approximately $44,000,000 in cash. The joint venture investment is reported as equity interests in investments in rental properties on the consolidated balance sheet. Our net carrying value of the investment in the joint venture is equal to 15% of the total carrying value of the net asset contributed, at the time of the contribution, which totaled approximately $20,500,000. In connection with the contribution, the Company recognized a gain of $26,600,000.

During 2007, we sold three communities totaling 441 units: Hazel Ranch, with 208 units located in Sacramento, California; Shaliko, with 152 units located in Sacramento, California; and Brentwood Townhomes with 81 units, located in Seattle, Washington. The three communities were sold for an aggregate sales price of approximately $56,400,000, resulting in a net gain on sale of approximately $29,400,000.

On April 27, 2006, we contributed the seven communities, classified as held for sale at March 31, 2006, to seven newly formed joint ventures in exchange for a 15% equity interest in each joint venture and approximately $200,000,000 in cash from the joint ventures. Under the terms of the agreements, we contributed seven properties with 2,184 units located in Denver, Colorado and Phoenix, Arizona, with a total value of $235,000,000. The joint venture partner contributed approximately $200,000,000 to obtain an 85% equity interest in each of the ventures. The Company accounts for its investments in these joint ventures under the equity method of accounting. These seven joint venture investments are reported as equity interests in investments in rental properties on the consolidated balance sheet. The carrying value of the net assets, at the time of contribution totaled approximately $189,000,000. The net carrying value of our investment in the seven joint ventures is equal to 15% of the net contributed value. We recorded a gain on the sale of the assets totaling $38,302,000. During 2006, the seven communities contributed $3,961,000 in net income prior to the April 27, 2006 sale.

During 2005, we sold the three operating communities, which we held for sale at December 31, 2004, with a total of 928 units. The communities were sold for an aggregate gross sales price of approximately $89,200,000, resulting in a net gain on sale of approximately $26,897,000.

The net gain on sale and the combined results of operations for these fifteen properties for each year presented are included in discontinued operations on the consolidated statements of income. These amounts totaled $60,862,000, $47,151,000 and $43,035,000 for the twelve months ended December 31, 2007, 2006 and 2005, respectively. There was one operating property held for sale at December 31, 2007.

Dividends attributable to preferred stock

Dividends attributable to preferred stock represent the dividends on our 8.08% Series B preferred stock, on our 6.75% Series C and 6.75% Series D Cumulative Redeemable Preferred Stock. Dividend payments totaled $16,122,000, $17,873,000 and $17,873,000 for the years 2007, 2006 and 2005, respectively. All of our currently outstanding series of preferred stock have a $25.00 per share liquidation preference. Dividends for the Series B preferred stock for 2007 reflect the dividends earned from January 1, 2007 to the September 14, 2007 redemption date. The initial issuance costs totaling $2,768,000 associated with the Series B Cumulative Redeemable Preferred Stock was included in net income available to common shareholders during the third quarter of 2007.

Net income available to common shareholders

As a result of the various factors mentioned above, net income available to common shareholders for the year ended December 31, 2007 was $109,191,000, or $2.11 per diluted share, as compared with $102,322,000, or $1.96 per diluted share, for the year ended December 31, 2006 and $63,075,000, or $1.22 per diluted share for the year ended December 31, 2005.

Liquidity and Capital Resources

Depending upon the availability and cost of external capital, we anticipate making additional investments in multifamily apartment communities. These investments are expected to be funded through a variety of sources. These sources may include internally generated cash, temporary borrowings under our revolving unsecured line of credit, proceeds from asset sales, public and private offerings of debt and equity securities, and in some cases the assumption of secured borrowings. To the extent that these additional investments are initially financed with temporary borrowings under our revolving unsecured line of credit, we anticipate that permanent financing will be provided through a combination of public and private offerings of debt and equity securities, proceeds from asset sales and secured debt. We believe our liquidity and various sources of available capital are sufficient to fund operations, meet debt service and dividend requirements, and finance future investments. Annual cash flows from operating activities exceed annual distributions to common shareholders, preferred shareholders and minority members by approximately $30,000,000, $45,500,000 and $2,500,000 for the years ended December 31, 2007, 2006 and 2005, respectively. Due to the timing associated with operating cash flows, there may be certain periods where cash flows generated by operating activities are less than distributions. We believe our unsecured credit facility provides adequate liquidity to address temporary cash shortfalls. As of December 31, 2007, there was one operating property held for sale.

On September 14, 2007, we redeemed all 3,000,000 shares of 8.08% Series B Cumulative Redeemable Preferred Stock at a redemption price of $25.42644 per share. The redemption price was equal to the original issuance price of $25.00 per share, plus accrued and unpaid dividends to the redemption date. The initial issuance costs totaling $2,768,000 associated with the Series B Cumulative Preferred Stock was included in net income available to common shareholders during the third quarter of 2007.

On March 13, 2007, we completed an offering of $300,000,000 of 10-year senior unsecured notes. The notes will mature on March 15, 2017 and bear interest at a fixed coupon rate of 5.50%. Net proceeds from the offering, after all discounts, commissions, and issuance costs totaled approximately $297,000,000.

On August 15, 2006, we completed a private offering of $460,000,000 aggregate principal amount of our 4.125% Convertible Senior Notes due 2026. Holders of the notes may convert their notes at any time on or after July 15, 2026 or under specific circumstances. The notes are convertible at an initial conversion rate of 14.0432 shares per $1,000 principal amount of notes. This is equivalent to an initial conversion price of $71.21 per share, which represents a 27.50% premium over the last reported sales price of the Company s common stock on August 9, 2006, which was $55.85 per share. Net proceeds from the sale of the notes were used to redeem $150,000,000 of senior unsecured indebtedness, repurchase concurrently with the closing of this offering 1,342,883 shares of our common stock at a price of $55.85 per share, for general corporate purposes and to reduce borrowings under our unsecured credit facility. In conjunction with the early retirement of the $150,000,000, a $576,000 prepayment penalty charge was incurred.

On May 19, 2005, we completed an offering of $150,000,000 of five year senior unsecured notes. The notes will mature on May 15, 2010 and bear interest at a fixed coupon rate of 4.875%. Net proceeds from the offering, after all discounts, commissions and issuance costs, totaled approximately $148,087,000.

Proceeds from these offerings have been used for general corporate purposes, including the repayment of debt, redemption of equity securities, funding for development activities and financing for acquisitions. Pending these uses, we initially used the proceeds from these offerings to reduce borrowings under our revolving unsecured credit facility.

On September 18, 2007, we amended and restated our credit agreement with a group of 18 lenders, increasing the size of the revolving credit facility from $600,000,000 to $750,000,000 and extending the maturity date from January 18, 2010 to September 18, 2012. The new amended and restated facility has a five-year term. Based on our current debt ratings, the line of credit accrues interest at LIBOR plus 47.5 basis points. In addition, we pay a 0.15% annual facility fee on the capacity of the facility. Borrowings under our revolving unsecured line of credit totaled $205,000,000 at December 31, 2007, compared to $115,000,000 at December 31, 2006. Borrowings under the credit facility are used to fund acquisition and development activities as well as for general corporate purposes. We typically reduce our outstanding balance on the revolving unsecured line of credit with available cash balances.

During the second quarter of 2005, we decreased the borrowings on our secured credit facility with Fannie Mae from $140,000,000 to $75,000,000. In August 2005, we amended the credit facility to reduce the number of multifamily communities securing the line from nine to four and relaxed certain collateral requirements. These four multifamily communities are held by a consolidated subsidiary of ours. Borrowings under the secured credit facility at December 31, 2007 totaled zero and bear interest at variable rates with maturities from one to nine months, plus a facility fee of 0.65%. Our borrowing cost, including interest, margin and fees, averaged 6.44% and 6.26% for the twelve months ended December 31, 2007 and 2006, respectively. Subject to the terms of the facility, we have the option to increase its size to $250,000,000. Borrowings under the secured facility are limited by the value of the properties we have pledged as security. Drawings under the facility are available to fund our investment activities and for general corporate purposes. The facility matures in May of 2008.

We had a total of $1,540,000,000 principal amount in unsecured senior notes outstanding at December 31, 2007, consisting of the following:

Maturity	Unsecured Senior Note Balance	Interest Rate
March 2009	50,000,000	3.580%
September 2009	150,000,000	5.750%
May 2010	150,000,000	4.875%
January 2011	250,000,000	7.450%
February 2013	130,000,000	7.125%
March 2014	50,000,000	4.700%
March 2017	300,000,000	5.500%
August 2026	460,000,000	4.125%
Total/Weighted Average Interest Rate	$ 1,540,000,000	5.419%

In addition, at December 31, 2007, we had mortgage indebtedness totaling $174,082,000 at an average interest rate of 6.13%, and remaining terms of from less than one to six years.

As of December 31, 2007, we had total outstanding debt balances of $1,919,082,000 and total outstanding shareholders equity and minority interests of $954,172,000, representing a debt to total book capitalization ratio of approximately 67%.

Our indebtedness contains financial covenants as to minimum net worth, interest coverage ratios, maximum secured debt and total debt to capital, among others. We were in compliance with all such financial covenants throughout the year ended December 31, 2007.

We anticipate that we will continue to require outside sources of financing to meet our long-term liquidity needs beyond 2007, including scheduled debt repayments, construction funding and property acquisitions. At December 31, 2007, we had an estimated cost of $184,600,000 to complete existing construction in progress, with funding estimated from 2008 through 2009.

Scheduled contractual obligations required for the next five years and thereafter are as follows:

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
		(amounts in thousands)			
Long-Term Debt Obligations	$ 1,919,082	$ 22,586	$ 402,611	$ 983,772	$ 510,113
Operating Lease Obligations	7,795	1,199	2,389	1,649	2,558
Total	$ 1,926,877	$ 23,785	$ 405,000	$ 985,421	$ 512,671

We manage joint venture investments that are recorded under the equity method of accounting with total assets of approximately $466,073,000 as of December 31, 2007. These joint ventures carry debt totaling approximately $18,272,000, none of which is guaranteed by us at December 31, 2007.

During the third quarter of 2007, we filed a new shelf registration statement with the Securities and Exchange Commission under which we may issue securities, including debt securities, common stock and preferred stock. Depending upon market conditions, we may issue securities under this or under future registration statements. Proceeds from issuances under our existing shelf registration statement may be used for general corporate purposes, including investing in additional multifamily communities, funding development activities, capital expenditures, redemption of securities, increasing our working capital and repaying indebtedness. Pending the application of the net proceeds, we may invest the proceeds in investment-grade, interest-bearing securities or temporarily reduce borrowings under our revolving unsecured line of credit.

On April 26, 2007, our Board of Directors authorized us to purchase an aggregate of up to $100,000,000 in shares of our common stock. As of February 15, 2008, we have not purchased any shares under this authorization.

We continue to consider other sources of possible funding, including further joint ventures and additional secured construction debt. We own unencumbered real estate assets that could be sold, contributed to joint ventures or used as collateral for financing purposes (subject to certain lender restrictions) and have encumbered assets with significant equity that could be further encumbered should other sources of capital not be available.

Critical Accounting Policies

We define critical accounting policies as those that require management s most difficult, subjective or complex judgments. A summary of our critical accounting policies follows. Additional discussion of accounting policies that we consider significant, including further discussion of the critical accounting policies described below, can be found in the notes to our consolidated financial statements.

Investments in Rental Properties

Rental properties are recorded at cost, less accumulated depreciation, less an adjustment, if any, for impairment. A land value is assigned based on the purchase price if land is acquired separately, or based on market research if acquired in a merger or in an operating community acquisition. We have a development group which manages the design, development and construction of our apartment communities. Projects under development are carried at cost, including direct and indirect costs incurred to ready the assets for their intended use and which are specifically identifiable, including capitalized interest and property taxes until units are placed in service. Direct investment development projects are considered placed in service as certificates of occupancy are issued and the units become ready for occupancy. Depreciation begins as units are placed in service. Land acquired for development is capitalized and reported as Land under development until the development plan for the land is formalized. Once the development plan is determined and construction contracts are signed, the costs are transferred to the balance sheet line item Construction in progress. Interest is capitalized on the construction in progress at a rate equal to our weighted average cost of debt. The capitalization of interest ends when the assets are readied for their intended use. Costs of replacements, such as appliances, carpets and drapes, are expensed. Improvements and betterments that increase the value of the property or extend its useful life are capitalized.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which generally range from 35 to 40 years for buildings and three to ten years for other property. The determination as to whether expenditures should be capitalized or expensed, and the period over which depreciation is recognized, requires management s judgment.

In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, our investments in real estate are periodically evaluated for indicators of impairment. The evaluation of impairment and the determination of estimated fair value is based on several factors, and future events could occur which would cause management to conclude that indicators of impairment exist and a reduction in carrying value to estimated fair value is warranted. There were no assets for which an adjustment for impairment in value was made in 2007, 2006 or 2005.

In the normal course of business, we will receive offers for sale of our properties, either solicited or unsolicited. For those offers that are accepted, the prospective buyer will usually require a due diligence period before consummation of the transaction. It is not unusual for matters to arise that result in the withdrawal or rejection of the offer during this process. We classify real estate as held for sale when all criteria under SFAS No. 144 have been met.

SFAS No. 144 also requires that the results of operations of any communities that have been sold, or otherwise qualify as held for sale, be presented as discontinued operations in our consolidated financial statements in all periods presented. The community specific real estate classified as held for sale is stated at the lower of its carrying amount or estimated fair value less disposal costs. Depreciation is not recorded on assets classified as held for sale.

Stock-Based Compensation

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (Revised 2004), Share-Based Payment (SFAS No. 123R), which is a revision of SFAS No. 123 Accounting for Stock-Based Compensation (SFAS No. 123). SFAS No. 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative.

Effective January 1, 2006, we adopted the provisions of SFAS No. 123(R) using the modified prospective method. This method requires the recognition of compensation cost for all share based payments that are unvested as of January 1, 2006. The cost related to stock-based compensation included in the determination of consolidated net income for the year ended December 31, 2006 and 2007, include all awards outstanding that are vesting during the period. On January 1, 2003, we adopted the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation (SFAS No. 123), as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure (SFAS No. 148). We adopted the prospective method as provided for in SFAS No. 148, under which the provisions of SFAS No. 123 are applied prospectively to all awards granted, modified or settled after January 1, 2003. Therefore, the cost related to stock-based compensation included in the determination of consolidated net income for the year ended December 31, 2005, is less than that which would have been recognized if the fair value method had been applied to all option awards in prior years. Prior to 2003, we accounted for stock-based compensation under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. Option awards under BRE s option plans vest over periods ranging from one to five years.

Consolidation

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, which was revised in December 2003 (Interpretation No. 46), and addresses the consolidation of variable interest entities (VIEs). Under Interpretation No. 46, arrangements that are not controlled through voting or similar rights are accounted for as VIEs. An enterprise is required to consolidate a VIE if it is the primary beneficiary of the VIE.

Under Interpretation No. 46, a VIE is created when (i) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties or (ii) the entity s equity holders as a group either: (a) lack direct or indirect ability to make decisions about the entity through voting or similar rights, (b) are not obligated to absorb expected losses of the entity if they occur or (c) do not have the right to receive expected residual returns of the entity if they occur. If an entity is deemed to be a VIE pursuant to Interpretation No. 46, the enterprise that is deemed to absorb a majority of the expected losses or receive a majority of expected residual returns of the VIE is considered the primary beneficiary and must consolidate the VIE.

Based on the provisions of FIN 46, we have concluded that under certain circumstances when we (i) enter into option agreements for the purchase of land from an entity and pay a non-refundable deposit or (ii) enter into an arrangement with a financial partner for the formation of joint ventures which engage in multifamily real estate projects, a VIE may be created under condition (ii) in the previous paragraph. For each VIE created, we compute expected losses and residual returns based on the probability of future cash flows. If we are determined to be the primary beneficiary of the VIE, the assets, liabilities and operations of the VIE will be consolidated with our financial statements.

We consolidate entities not deemed as VIEs which we have the ability to control. Our consolidated financial statements include the accounts of BRE and controlled subsidiaries. All significant intercompany balances and transactions are eliminated in consolidation.

We consider consolidation as outlined in EITF 04-05, Determining Whether a General Partner, or the General Partners as a group, controls a Limited Partnership or similar entity when the Limited Partners have certain rights, which provides guidance on consolidations for Limited Partnerships and similar entities. Under EITF 04-05 the managing member of an LLC is presumed to control the LLC and must prove non-managing member(s) have certain rights that preclude the managing member from exercising unilateral control. Based on the provisions of EITF 04-05 we have reviewed our control as the General Partner of our joint venture assets and concluded that we do not have control over any of the LLCs which we manage.

After considering the potential consolidation under FIN 46 and EITF 04-05, we consider guidance under APB-18, The Equity Method of Accounting for Investments in Common Stock, and SOP 78-9, Accounting for Investments in Real Estate Ventures. We considered the provisions of both APB-18 and SOP 78-9 to conclude on the application of the equity method of accounting for our investments in joint ventures.

Impact of Inflation

Approximately 99% of our total revenues for 2007 were derived from apartment properties. Due to the short-term nature of most apartment unit leases (typically one year or less), we may seek to adjust rents to mitigate the impact of inflation upon renewal of existing leases or commencement of new leases, although we cannot assure that we will be able to adjust rents in response to inflation. In addition, market rates may also fluctuate due to short-term leases and other permitted and non-permitted lease terminations.

Dividends Paid to Common and Preferred Shareholders and Distributions to Minority Members

A cash dividend has been paid to common shareholders each quarter since our inception in 1970. The payment of distributions by BRE is at the discretion of the Board of Directors and depends on numerous factors, including our cash flow, financial condition and capital requirements, REIT provisions of the Internal Revenue Code and other factors. Cash dividends per common share were $2.15 in 2007, $2.05 in 2006 and $2.00 in 2005. Total cash dividends paid to common shareholders for the three years ended December 31, 2007, 2006 and 2005 were $109,811,000, $104,814,000, and $101,744,000, respectively. In 2007, 2006 and 2005 $16,122,000, $17,873,000 and $17,873,000, respectively, in dividends were paid to preferred shareholders.

Distributions to minority members and operating company unit holders were $2,159,000 in 2007, $3,307,000 in 2006, and $3,424,000 in 2005.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to our operations result primarily from changes in short-term LIBOR interest rates. We do not have any direct foreign exchange or other significant market risk.

Our exposure to market risk for changes in interest rates relates primarily to our lines of credit. We primarily enter into fixed and variable rate debt obligations to support general corporate purposes, including acquisitions and development, capital expenditures and working capital needs. We continuously evaluate our level of variable rate debt with respect to total debt and other factors, including our assessment of the current and future economic environment.

The fair values of our financial instruments (including such items in the financial statement captions as cash, other assets, accounts payable and accrued expenses, and lines of credit) approximate their carrying or contract values based on their nature, terms and interest rates that approximate current market rates. The fair value of mortgage loans payable and unsecured senior notes is estimated using discounted cash flow analyses with an interest rate similar to that of current market borrowing arrangements. The estimated fair value of our mortgage loans and unsecured senior notes is approximately $1,727,000,000 at December 31, 2007, as compared with a carrying value of $1,714,000,000 at that date.

We had $216,200,000 and $213,290,000 in variable rate debt outstanding at December 31, 2007 and 2006, respectively. A hypothetical 10% adverse change in interest rates would have had an annualized unfavorable impact of approximately $1,400,000 and $1,300,000 on our earnings and cash flows based on these period-end debt levels and our average variable interest rates for the twelve months ended December 31, 2007 and 2006, respectively. We cannot predict the effect of adverse changes in interest rates on our variable rate debt and, therefore, our exposure to market risk, nor can we assure that fixed rate, long-term debt will be available to us at advantageous pricing. Consequently, future results may differ materially from the estimated adverse changes discussed above.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Part IV, Item 15. Our Consolidated Financial Statements and Schedules are incorporated herein by reference.

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

None.

Item 9A. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, we have investments in certain unconsolidated entities. As we do not control these entities, our disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those we maintain with respect to our consolidated subsidiaries.

As of December 31, 2007, the end of the quarter and fiscal year covered by this report, management conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our 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 on 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 control over 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.

Management s Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, 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, and 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 our 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 our company are being made only in accordance with authorizations of management and our board of directors; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2007, using the framework set forth in the report entitled Internal Control Integrated Framework published by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on our evaluation under the framework in *Internal Control Integrated Framework* management concluded that our internal control over financial reporting was effective as of December 31, 2007.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the fourth quarter of the period covered by this Annual Report on Form 10-K that has materially affected, or is reasonable likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

of BRE Properties, Inc.

We have audited BRE Properties, Inc. s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). BRE Properties, Inc. 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 Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

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.

In our opinion, BRE Properties, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of BRE Properties, Inc. as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2007 of BRE Properties, Inc. and our report dated February 12, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California

February 12, 2008

Item 9B. Other Information

Pursuant to Section 303A.12(a) of the New York Stock Exchange s Corporate Governance Standards, the Chief Executive Officer has certified to the NYSE that she is not aware of any violation by the Company of NYSE corporate governance listing standards. This certification was submitted to the NYSE and was not qualified to any respect. Additionally, certifications by our Chief Executive Officer and Chief Financial Officer required under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 are filed and furnished, respectively, with the Securities and Exchange Commission as exhibits to this report.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) *Identification of Directors.* The information required by this Item is incorporated herein by reference to our Proxy Statement relating to our 2008 Annual Meeting of Shareholders, under the headings Election of Directors and Section 16(a) Beneficial Ownership Reporting Compliance, to be filed with the Securities and Exchange Commission within 120 days of December 31, 2007. A summary of the directors and their principal business for the last five years follows:

Paula Downey	Ms. Downey will become our Director effective March 1, 2008. Ms. Downey is president of AAA Northern California, Nevada and Utah (CSAA), a position she has held since 2005. She was Chief Operations Officer from 2003 through 2005 and Senior Vice President and Chief Financial Officer from 2000 to 2003. Ms. Downey serves as an officer of California State Automobile Association, California State Automobile Association Inter-Insurance Bureau, and as a director of their subsidiaries including Pacific Lighthouse Reinsurance Ltd., Western United Insurance Company, CSAA Life and Financial Services, Inc., ACA Insurance Company, ACA Member Services Company, and Ceres Reinsurance, Inc. In addition, she serves on the boards of directors of the Bay Area Council and the Golden Gate National Parks Conservancy. Ms. Downey is 52 years old.
Robert A. Fiddaman	Mr. Fiddaman has been our Director since 1998. He became Chairman of the Board of the Company during 2006. Mr. Fiddaman is self-employed and a private investor. Mr. Fiddaman served as Chairman of SSR Realty Advisors, a real estate investment and management firm, from 1996 to 1997. From 1993 to 1996, he served as President and Chief Executive Officer of Metric Realty, a real estate investment and management company. Mr. Fiddaman is 70 years old.
Roger P. Kuppinger	Mr. Kuppinger has been our Director since 1995, including service as a trustee of Real Estate Investment Trust of California, which merged with BRE in March 1996. Mr. Kuppinger will retire as our Director effective May 14, 2008. Since 1994, Mr. Kuppinger has been President of The Kuppinger Company, a private investment banking firm and financial advisor to public and private companies. Mr. Kuppinger served as Managing Director, Sutro & Co., Inc., an investment banking firm, from 1969 to 1994. He currently serves as a Director and Audit Committee Chairman of Realty Income Corporation, a California-based retail real estate investment trust. Mr. Kuppinger is 67 years old.
Irving F. Lyons, III	Mr. Lyons has been our Director since 2006. Mr. Lyons served as Vice Chairman of ProLogis, a global provider of distribution facilities and services, from 2001 through May 2006. He was Chief Investment Officer from March 1997 to December 2004, and held several other executive positions since joining ProLogis in 1993. Prior to joining ProLogis, he was a Managing Partner of King & Lyons, a San Francisco Bay Area industrial real estate development and management company, since its inception in 1979. Mr. Lyons is 58 years old.

Edward E. Mace	Mr. Mace has been our Director since 1998. Mr. Mace has served as Chairman of Mace Pacific Holding Company, LLC, A Private Investment Company, since 2006. From 2001 to 2006, he served as President, Vail Resorts Lodging Company and Rock Resorts International LLC (both subsidiaries of Vail Resorts, Inc., an owner, manager and developer of ski resorts and related lodging.) Mr. Mace served as President and Chief Executive Officer of Fairmont Hotels & Resorts-U.S./Mexico division from 2000 to 2001 and was President & Chief Executive Officer, Fairmont Hotels from 1996 to 2000. Mr. Mace is 56 years old.
Christopher J. McGurk	Mr. McGurk has been our Director since 2006. Currently, Mr. McGurk serves as CEO of Overture Films, a motion picture studio. Prior to his post at Overture Films, Mr. McGurk served as Vice Chairman and COO of Metro-Goldwyn-Mayer, Inc. (MGM), a motion picture, television, home video, and theatrical production and distribution company, from 1999 to 2005. From 1996 to 1999, Mr. McGurk served in executive capacities with Universal Pictures, a division of Universal Studios Inc., most recently as President and COO. Mr. McGurk is 51 years old.
Matthew T. Medeiros	Mr. Medeiros has been our Director since 2005. Mr. Medeiros has served as President, Chief Executive Officer and Director of SonicWALL, a global Internet security company, since March 2003. From 1998 to December 2002, he served as Chief Executive Officer of Philips Components, a division of Royal Philips Electronics, a consumer electronics company. Mr. Medeiros served as Chairman of the Board, LG.Philips LCD, a liquid crystal display joint venture, from 2001 to 2002. Mr. Medeiros is 51 years old.
Constance B. Moore	Ms. Moore has been our Director since 2002. Ms. Moore has served as President and Chief Executive Officer of the Company since January 1, 2005, and was President and Chief Operating Officer in 2004. Ms. Moore was Executive Vice President and Chief Operating Officer of BRE from July 2002 through December 2003. She held several executive positions with Security Capital Group & Affiliates, an international real estate operating and investment management company, from 1993 to 2002, including Co-Chairman and Chief Operating Officer of Archstone Communities Trust. Ms. Moore is 52 years old.
Jeanne R. Myerson	Ms. Myerson has been our Director since 2002. Ms. Myerson has served as President and Chief Executive Officer of The Swig Company, a private real estate investment firm, since 1997. She served as President and Chief Executive Officer of The Bailard, Biehl & Kaiser REIT from 1993 to 1997. Ms. Myerson is 54 years old.
Thomas E. Robinson	Mr. Robinson was appointed a Director of BRE on July 1, 2007. Currently, Mr. Robinson is a managing director of the real estate investment banking group at Stifel, Nicolaus & Company, Inc., St. Louis, MO and its prior affiliate Legg Mason. Prior to that position he served as the president and chief financial officer of Storage USA, Inc., from 1994-1997. Robinson currently serves on the Tanger Factory Outlet Centers, Inc. board of directors, is a former trustee/director of Centerpoint Properties Trust and Legg Mason Real Estate Investors, Inc., and a past member of the board of governors of the National Association of Real Estate Investment Trusts (NAREIT). Mr. Robinson is 60 years old.

(b) *Identification of Executive Officers.* See Executive Officers of the Registrant in Part I of this report.

Item 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference from our Proxy Statement, relating to our 2007 Annual Meeting of Shareholders, under the headings Executive Compensation and Other Information and Election of Directors Governance, Board and Committee Meetings; Compensation of Directors, to be filed with the Securities and Exchange Commission within 120 days of December 31, 2007.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL HOLDERS AND MANAGEMENT

The information required by this Item is incorporated herein by reference from our Proxy Statement, relating to our 2008 Annual Meeting of Shareholders, under the heading Security Ownership of Certain Beneficial Owners and Management, to be filed with the Securities and Exchange Commission within 120 days of December 31, 2007.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated herein by reference from our Proxy Statement, relating to our 2008 Annual Meeting of Shareholders, under the headings Certain Relationships and Related Transactions, to be filed with the Securities and Exchange Commission within 120 days of December 31, 2007.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference from our Proxy Statement, relating to our 2008 Annual Meeting of Shareholders, under the headings Report of the Audit Committee and Fees of Ernst & Young LLP, to be filed with the Securities and Exchange Commission within 120 days of December 31, 2007.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) *Financial Statements*

1. Financial Statements:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at December 31, 2007 and 2006

Consolidated Statements of Income for the years ended December 31, 2007, 2006, and 2005

Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006, and 2005

Consolidated Statements of Shareholders Equity for the years ended December 31, 2007, 2006, and 2005

Notes to Consolidated Financial Statements

2. Financial Statement Schedule:

Schedule III Real Estate and Accumulated Depreciation

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and, therefore, have been omitted.

3. See Index to Exhibits immediately following the Consolidated Financial Statements. Each of the exhibits listed is incorporated herein by reference.

(b) *Exhibits*

See Index to Exhibits.

(c) *Financial Statement Schedules*

See Index to Financial Statements and Financial Statement Schedule.

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.

Dated February 15, 2008

BRE PROPERTIES, INC.

By: /s/ CONSTANCE B. MOORE
Constance B. Moore

President and Chief Executive Officer

Pursuant to the requirements of the Securities and 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:

Name	Title	Date
/s/ CONSTANCE B. MOORE Constance B. Moore	President, Chief Executive Officer and Director (Principal Executive Officer)	February 15, 2008
/s/ EDWARD F. LANGE, JR. Edward F. Lange, Jr.	Executive Vice President, Chief Operating Officer and Chief Financial Officer (Principal Financial and Accounting Officer)	February 15, 2008
/s/ ROBERT A. FIDDAMAN Robert A. Fiddaman	Director	February 15, 2008
/s/ ROGER P. KUPPINGER Roger P. Kuppinger	Director	February 15, 2008
/s/ IRVING F. LYONS, III Irving F. Lyons, III	Director	February 15, 2008
/s/ EDWARD E. MACE Edward E. Mace	Director	February 15, 2008
/s/ CHRISTOPHER J. MCGURK Christopher J. McGurk	Director	February 15, 2008
/s/ MATTHEW T. MEDEIROS Matthew T. Medeiros	Director	February 15, 2008
/s/ JEANNE R. MYERSON	Director	February 15, 2008

Jeanne R. Myerson		
/s/ THOMAS E. ROBINSON	Director	February 15, 2008
Thomas E. Robinson		

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of

BRE Properties, Inc.

We have audited the accompanying consolidated balance sheets of BRE Properties, Inc. as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedules listed in the Index at Item 15(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of BRE Properties, Inc. at December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, on January 1, 2007, BRE Properties, Inc. adopted the provisions of SFASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No.109*, and changed its method of accounting for uncertain tax positions. Also, effective January 1, 2006, BRE Properties, Inc. changed its method for accounting for share-based compensation to conform with SFAS No. 123-R, *Share-Based Payment*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), BRE Properties, Inc. s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 12, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California

February 12, 2008

BRE PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands, except per share data)

	December 31, 2007	December 31, 2006
ASSETS		
Real estate portfolio		
Direct investments in real estate:		
Investments in rental properties	$ 2,823,279	$ 2,726,159
Construction in progress	297,939	242,509
Less: Accumulated depreciation	(458,474)	(401,893)
	2,662,744	2,566,775
Equity interests in and advances to real estate joint ventures:		
Investments in rental properties	62,966	38,846
Real estate held for sale, net	30,548	
Land under development	125,382	146,659
Total real estate portfolio	2,881,640	2,752,280
Cash	6,952	10,082
Other assets	65,068	61,129
Total assets	$ 2,953,660	$ 2,823,491
LIABILITIES AND SHAREHOLDERS EQUITY		
Unsecured senior notes	$ 1,540,000	$ 1,290,000
Unsecured line of credit	205,000	115,000
Mortgage loans payable	174,082	188,910
Secured line of credit		75,000
Accounts payable and accrued expenses	80,406	77,192
Total liabilities	1,999,488	1,746,102
Minority interests	30,980	100,544
Shareholders equity:		
Preferred stock, $0.01 par value; 20,000,000 shares authorized at both December 31 2007 and 2006; 7,000,000 and 10,000,000 shares with $25 liquidation preference; issued and outstanding at December 31, 2007 and December 31, 2006, respectively.	70	100
Common stock, $0.01 par value; 100,000,000 shares authorized at both December 31, 2007 and 2006; 50,968,448 and 50,484,614 shares issued and outstanding at December 31, 2007 and December 31, 2006, respectively.	510	505
Additional paid-in capital	984,958	1,038,598
Accumulated net income less than cumulative dividends	(62,346)	(61,726)
Stock purchase loans to executives		(632)
Total shareholders equity	923,192	976,845
Total liabilities and shareholders equity	$ 2,953,660	$ 2,823,491

See Accompanying Notes to Consolidated Financial Statements

BRE PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)

	Years ended December 31, 2007	2006	2005
Revenue			
Rental income	$ 330,810	$ 304,445	$ 274,962
Ancillary income	14,353	14,145	12,633
Total rental revenue	345,163	318,590	287,595
Expenses			
Real estate	103,584	98,207	88,141
Provision for Depreciation	79,008	72,671	68,927
Interest	82,752	80,199	76,553
General and administrative	18,241	17,881	17,816
Other expenses		1,138	2,670
Total expenses	283,585	270,096	254,107
Other income	5,787	26,822	3,101
Income before gain on sales of investments, minority interests, partnership income and discontinued operations	67,365	75,316	36,589
Minority interests in income	(2,279)	(3,422)	(3,535)
Partnership income	2,133	1,150	4,859
Income from continuing operations	67,219	73,044	37,913
Net gain on sales of discontinued operations	55,957	38,302	26,897
Discontinued operations, net	4,905	8,849	16,138
Income from discontinued operations	60,862	47,151	43,035
Net Income	$ 128,081	$ 120,195	$ 80,948
Redemption related preferred stock issuance cost	2,768		
Dividends attributable to preferred stock	16,122	17,873	17,873
Net income available to common shareholders	$ 109,191	$ 102,322	$ 63,075
Basic earnings per share from continuing operations	$ 0.95	$ 1.08	$ 0.39
Basic earnings per share from discontinued operations	$ 1.20	$ 0.93	$ 0.85
Basic earnings per share	$ 2.15	$ 2.01	$ 1.24
Diluted earnings per share from continuing operations	$ 0.93	$ 1.06	$ 0.39
Diluted earnings per share from discontinued operations	$ 1.18	$ 0.90	$ 0.83
Diluted earnings per share	$ 2.11	$ 1.96	$ 1.22
Weighted average common shares outstanding basic	50,735	50,925	50,930
Weighted average common shares outstanding diluted	51,780	52,150	51,790

See Accompanying Notes to Consolidated Financial Statements

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BRE PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Years ended December 31,		
	2007	2006	2005
Cash flows from operating activities			
Net income	$ 128,081	$ 120,195	$ 80,948
Adjustments to reconcile net income to net cash flows generated by operating activities:			
Net gain on sales of discontinued operations	(55,957)	(38,302)	(26,897)
Net gain on sales of investments	(65)	(3,485)	(4,575)
Income from unconsolidated entities	(2,133)	(1,150)	(284)
Distributions of earnings from unconsolidated entities	2,643	695	1,416
Provision for depreciation	79,008	72,671	68,927
Depreciation from discontinued operations	941	2,163	5,349
Noncash stock based compensation expense	3,868	3,865	2,704
Minority interests in income	2,279	3,422	3,535
Increase in other assets	(2,805)	(6,079)	(3,128)
Increase (decrease) in accounts payable and accrued expenses	2,036	17,646	(2,567)
Net cash flows generated by operating activities	157,896	171,641	125,428
Cash flows from investing activities			
Additions to land under development and predevelopment costs	(91,714)	(59,648)	(43,611)
Additions to direct investment construction in progress	(151,175)	(98,191)	(71,158)
Purchases of operating real estate		(102,934)	(80,974)
Acquisition of equity interest in real estate joint ventures	(19,618)		
Rehabilitation expenditures and other	(29,140)	(33,548)	(18,249)
Capital expenditures	(17,503)	(13,942)	(13,607)
Deposits on property under contract	(1,382)	(4,809)	(8,225)
Improvements to real estate joint ventures	(4,605)		
Purchases of land	(3,964)		
Additions to furniture fixture and equipment	(642)	(2,879)	(4,171)
Proceeds from sales of rental property, net of closing costs	99,147	198,109	87,280
Proceeds from sales of investments, net of closing costs	4,205	20,765	8,501
Net cash flows used in investing activities	(216,391)	(97,077)	(144,214)
Cash flows from financing activities			
Principal payments on mortgage loans and unsecured senior notes	(64,828)	(165,664)	(51,550)
Proceeds from issuance of unsecured senior notes, net	297,099	451,849	148,087
Lines of credit:			
Advances	898,000	230,000	390,000
Repayments	(883,000)	(416,000)	(341,000)
Renewal fees		(3,946)	
Repurchase of common shares		(75,000)	
Proceeds from exercises of stock options	9,410	20,060	13,075
Proceeds from dividend reinvestment plan	1,776	1,670	1,758
Redemption of preferred stock	(75,000)		
Cash dividends paid to common shareholders	(109,811)	(104,814)	(101,744)
Cash dividends paid to preferred shareholders	(16,122)	(17,873)	(17,873)
Distributions to Operating Company unit holders	(1,736)	(1,862)	(1,927)
Distributions to other minority members	(423)	(1,445)	(1,497)

Net cash flows generated by (used in) financing activities	55,365	(83,025)	37,329
(Decrease) increase in cash	(3,130)	(8,461)	18,543
Balance at beginning of year	10,082	18,543	
Balance at end of year	$ 6,952	$ 10,082	$ 18,543

See Accompanying Notes to Consolidated Financial Statement

BRE PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Years ended December 31,		
	2007	**2006**	**2005**
Supplemental disclosure of non cash investing and financing activities			
Transfers of direct investments in real estate-construction in progress to investments in rental properties	$ 129,279	$ 93,449	$ 27,518
Transfer of land under development to direct investments in real estate construction in progress	$ 31,082	$ 65,432	$ 16,845
Change in accrued development costs for construction in progress and land under development	$ 1,337	$ 49	$ 1,132
Change in carrying value of debt attributed to hedging activities	$	$	$ 503
Change in minority interest units	$ 3,063	$ 1,631	$
Transfer of investment in rental properties to held for sale	$ 77,119	$	$ 190,863
Transfer of land under development to real estate held for sale	$ 17,186	$	$ 8,515
Increase in investment in rental properties and minority interest in connection with consolidation of variable interest entity	$	$	$ 26,000
Increase in land under development and minority interest in connection with consolidation of variable interest entity	$	$ 66,500	$
Transfer from investment in rental properties to land under development	$	$ 29,298	$
Transfer from real estate held for sale to investment in unconsolidated entities	$ 3,074	$ 28,397	$
Change in accrued improvements to direct investments in real estate cost	$ 573	$ 3,027	$ 753
Application of deposits against acquisition cost	$ 7,089	$ 4,000	$
Assumption of mortgages through acquisition of existing assets	$	$	$ 35,062
Change in redemption related preferred stock issuance cost	$ 2,768	$	$

See Accompanying Notes to Consolidated Financial Statements

BRE PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(Dollar amounts in thousands, except share and per share data)

	Years ended December 31, 2007	2006	2005
Common stock shares			
Balance at beginning of year	50,484,614	50,874,474	50,313,609
Stock options exercised, net of shares tendered	320,316	847,982	513,584
Conversion of Operating Company units to common shares	113,737	60,575	
Shares repurchased and retired		(1,342,883)	
Vested restricted shares	18,964	17,931	25,453
Shares issued pursuant to dividend reinvestment plan	32,859	28,935	42,883
Other	(2,031)	(2,400)	(21,055)
Balance at end of year	50,968,459	50,484,614	50,874,474
Preferred stock shares			
Balance at beginning of year	10,000,000	10,000,000	10,000,000
Redemption of 8.08% Series B Cumulative Redeemable	(3,000,000)		
Balance at end of year	7,000,000	10,000,000	10,000,000
Common stock			
Balance at beginning of year	$ 505	$ 509	$ 503
Stock options exercised	3	8	5
Conversion of Operating Company units to common shares	1	1	
Shares repurchased and retired		(13)	
Shares issued pursuant to dividend reinvestment plan	1		1
Balance at end of year	$ 510	$ 505	$ 509
Preferred stock			
Balance at beginning of year	$ 100	$ 100	$ 100
Redemption of 8.08% Series B Cumulative Redeemable	(30)		
Balance at end of year	$ 70	$ 100	$ 100
Additional paid-in capital			
Balance at beginning of year	$ 1,038,598	$ 1,085,687	$ 1,068,614
Stock options and restricted shares	13,924	24,742	16,153
Conversion of Operating Company units to common shares	3,062	1,631	
Shares repurchased and retired		(74,987)	
Redemption of preferred stock	(72,261)		
Dividend reinvestment plan	1,776	1,670	1,758
Other	(141)	(145)	(838)
Balance at end of year	$ 984,958	$ 1,038,598	$ 1,085,687
Accumulated net income (less than) in excess of cumulative dividends			
Balance at beginning of year	$ (61,726)	$ (59,234)	$ (20,565)
Net income for year	128,081	120,195	80,948
	(109,811)	(104,814)	(101,744)

Cash dividends declared to common shareholders: $2.15 per common share for the year ended December 31, 2007 and $2.05 per common share for the year ended December 31, 2006 and $2.00 per common share for the year ended December 31, 2005						
Cash dividends declared to preferred shareholders (see Note 10)		(16,122)		(17,873)		(17,873)
Redemption related preferred stock issuance cost		(2,768)				
Balance at end of year	$	(62,346)	$	(61,726)	$	(59,234)
Stock purchase loans to executives						
Balance at beginning of year	$	(632)	$	(920)	$	(2,005)
Loan maturities		632		288		1,085
Balance at end of year	$		$	(632)	$	(920)
Total shareholders equity	$	923,192	$	976,845	$	1,026,142

See Accompanying Notes to Consolidated Financial Statements

BRE PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Company

BRE Properties, Inc., a Maryland corporation (BRE or the Company), was formed in 1970. BRE is a self-administered real estate investment trust (REIT) focused on the development, acquisition and management of multifamily apartment communities in the Western United States. At December 31, 2007, BRE s portfolio, owned directly or through wholly or majority owned subsidiaries, consisted of 77 multifamily communities (aggregating 21,808 units), classified as direct investments in real estate-investments in rental properties on the accompanying consolidated balance sheets. Of these properties, 62 were located in California, 13 in Washington, and 2 in Arizona. In addition, at December 31, 2007, there were ten properties under various stages of construction and development aggregating an estimated 3,125 units, including seven directly owned properties with 1,969 units classified as direct investments in real estate-construction in progress and three land parcels estimated to have 1,156 units which are classified as land under development. BRE also holds a 35% interest in two real estate joint ventures that own two multifamily properties with a total of 488 units and a 15% interest in eleven joint ventures that own eleven multifamily properties with a total of 3,592 units at December 31, 2007.

The Operating Company

In November 1997, BRE acquired 16 completed properties and eight development properties from certain entities of Trammell Crow Residential-West (the Transaction) pursuant to a definitive agreement (the Contribution Agreement). BRE paid a total of approximately $160,000,000 in cash and issued $100,000,000 in common stock based on a stock price of $26.93 per share, as provided for in the Contribution Agreement. In addition, certain entities received Operating Company Units (OC Units) valued at $76,000,000 in BRE Property Investors LLC (the Operating Company), a Delaware limited liability company and a majority owned subsidiary of BRE. The Operating Company assumed approximately $120,000,000 in debt in connection with this purchase. BRE is the sole managing member and majority owner of the Operating Company at December 31, 2007. Substantially all of the properties acquired in the Transaction are owned by the Operating Company, which was formed by BRE for the purpose of acquiring the properties in the Transaction.

The OC Units held by non-managing members are included in minority interests in the Company s consolidated financial statements. Starting in November 1999, non-managing members of the Operating Company can exchange their units for cash in an amount equal to the market value of common stock at the time of the exchange or, at the option of the Company, common stock of BRE on a 1:1 basis. As of December 31, 2007, 2,384,800 OC Units have been exchanged for common stock. The non-managing members are entitled to priority distributions regardless of the cash flows of the Operating Company. The Operating Company is also required to maintain certain financial ratios to protect the non-managing members distributions. Further, the Company had restrictions from selling certain assets of the Operating Company in a taxable sale for a ten year period from the date of the Transaction. The ten year period lapsed November 18, 2007. The Operating Company will continue until the earlier of conversion of all non-managing member OC Units, or September 25, 2012. The Operating Company has also guaranteed the repayment of the Company s $750,000,000 unsecured line of credit.

2. Summary of Significant Accounting Policies

Consolidation

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, which was revised in December 2003 (Interpretation No. 46), and addresses the consolidation of variable interest entities (VIEs). Under Interpretation No. 46, arrangements that are not controlled through voting or similar rights are accounted for as VIEs. An enterprise is required to consolidate a VIE if it is the primary beneficiary of the VIE.

Under Interpretation No. 46, a VIE is created when (i) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties or (ii) the entity s equity holders as a group either: (a) lack direct or indirect ability to make decisions about the entity through voting or similar rights, (b) are not obligated to absorb expected losses of the entity if they occur or (c) do not have the right to receive expected residual returns of the entity if they occur. If an entity is deemed to be a VIE pursuant to Interpretation No. 46, the enterprise that is deemed to absorb a majority of the expected losses or receive a majority of expected residual returns of the VIE is considered the primary beneficiary and must consolidate the VIE.

Based on the provisions of Interpretation No. 46, the Company has concluded that under certain circumstances when the Company (i) enters into option agreements for the purchase of land or communities from an entity and pays a non-refundable deposit, or (ii) enters into arrangements for the formation of joint ventures, a VIE may be created under condition (ii) (b) or (c) of the previous paragraph. For each VIE created, the Company has computed expected losses and residual returns based on the probability of future cash flows as outlined in Interpretation No. 46. If the Company is determined to be the primary beneficiary of the VIE, the assets, liabilities and operations of the VIE are consolidated with the Company s financial statements.

For any unconsolidated joint venture arrangements existing as of January 1, 2004, the Company has evaluated whether such joint venture arrangements represent variable interest entities in which the Company is the primary beneficiary.

In September 2006, BRE entered into a land option contract to purchase 3.5 acres of land located in Los Angeles, California from an unrelated third party for $66,500,000. The acquisition closed on January 9, 2007. At December 31, 2006, the non-refundable cash deposit made by BRE for a purchase option agreement totaled $5,000,000. Under Interpretation No. 46, the Company was the primary beneficiary of the contractual relationship and consolidated the asset on the Consolidated Balance Sheet as of December 31, 2006. The beneficial interest holders of the VIE had no recourse to the Company s general credit. The $5,000,000 deposit represented the Company s maximum exposure to loss at December 31, 2006. As of December 31, 2007, the Company decreased Minority interest by $66,500,000 to reflect the completed purchase of the property.

At December 31, 2007, the Company has made non-refundable cash deposits for seven purchase option agreements totaling approximately $2,972,000, which are included in Other assets on the consolidated balance sheet. The aggregate purchase price of properties under option is approximately $79,082,000. The option deposits generally represent the Company s maximum exposure to loss if it elects not to purchase the optioned property. Based on analysis performed under Interpretation No. 46, the Company is not the primary beneficiary in any of the arrangements as of December 31, 2007.

BRE consolidates entities not deemed as VIEs that it has the ability to control. The accompanying consolidated financial statements include the accounts of the Company, the Operating Company and other controlled subsidiaries. At December 31, 2007, BRE owned 93% of the Operating Company. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company considers consolidation as outlined in EITF 04-05, Determining Whether a General Partner, or the General Partners as a group, controls a Limited Partnership or similar entity when the Limited Partners have certain rights, which provides guidance on consolidations for Limited Partnerships and similar entities. Under EITF 04-05 the managing member of an LLC is presumed to control the LLC and must prove non-managing member(s) have certain rights that preclude the managing member from exercising unilateral control. Based on the provisions of EITF 04-05 the Company has reviewed its control as the General Partner of its joint venture assets and concluded that the Company does not have control over any of the LLCs which it manages.

After considering the potential consolidation under FIN 46 and EITF 04-05, the Company considers guidance under APB-18, The Equity Method of Accounting for Investments in Common Stock, and SOP 78-9, Accounting for Investments in Real Estate Ventures. Management considered the provisions of both APB-18 and SOP 78-9 to conclude on the application of the equity method of accounting for its investments in joint ventures.

Use of Estimates

The preparation of consolidated financial statements, in accordance with accounting principles generally accepted in the United States of America, requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to acquiring, developing and assessing the carrying values of its real estate properties, its investments in and advances to joint ventures and affiliates, its accrued liabilities, its performance-based equity compensation plans, and its qualification as a REIT. The Company bases its estimates on historical experience, current market conditions, and various other assumptions that are believed to be reasonable under the circumstances. Actual results may vary from those estimates and those estimates could vary under different assumptions or conditions.

Investments in Rental Properties

Rental properties are recorded at cost, less accumulated depreciation, less an adjustment, if any, for impairment. All properties are held for leasing activities. A land value is assigned based on the purchase price if land is acquired separately, or based on estimated market rates if acquired in a merger or in an operating community acquisition. BRE has a development group which manages the design, development and construction of its apartment communities. Projects under development are carried at cost, including direct and indirect costs incurred to ready the assets for their intended use and which are specifically identifiable, including capitalized interest and property taxes until units are placed in service. Direct investment development projects are considered placed in service as certificates of occupancy are issued and the units become ready for occupancy. Depreciation begins as units are placed in service. Land acquired for development is capitalized and reported as Land under development until the development plan for the land is formalized. Once the development plan is determined and construction contracts are signed, the costs are transferred to the balance sheet line item Construction in progress. Interest is capitalized on the Construction in progress at a rate equal to the Company s weighted average cost of debt. The capitalization of interest ends when the assets are readied for their intended use. Costs of replacements, such as appliances, carpets and drapes, are expensed. Improvements and betterments that increase the value of the property or extend its useful life are capitalized.

Under subcontractor agreements during the development and construction of an apartment community, a designated percentage of the subcontracted fee is retained until the end of the project to ensure the subcontractor completes their task to the Company s approval. The Company records retention payable when the amount becomes a probable and estimable liability. Because the nature of the contracted work is to extend the useful life or make ready the subject property for its intended use, the offsetting debit upon recording the liability is to the basis of the community. The retention liability is relieved when paid upon satisfaction of the contract.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which generally range from 35 to 40 years for buildings and three to ten years for other property.

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets , in 2002. SFAS No. 144 provides additional guidance on the recognition and measurement of the impairment of long-lived assets to be held and used, and requires that the results of operations of any communities that have been sold, or otherwise qualify as held for sale, be presented as discontinued operations in all periods presented.

The Company periodically evaluates its long-lived assets, including its investments in rental properties, for impairment indicators. The judgments regarding the existence of impairment indicators are based on factors such as operational performance, market conditions, the expected holding period of each asset and legal and environmental concerns. Future events could occur which would cause the Company to conclude that impairment indicators exist and an impairment loss is warranted. There were no assets for which an adjustment for impairment in value was made in 2007, 2006 or 2005.

In the normal course of business, BRE will receive offers for sale of its properties, either solicited or unsolicited. For those offers that are accepted, the prospective buyer will usually require a due diligence period before consummation of the transaction. It is not unusual for matters to arise that result in the withdrawal or rejection of the offer during this process. The Company classifies real estate as held for sale when all of the following criteria have been met: management has committed to a plan to sell the asset, the asset is available for immediate sale in its present condition, an active program to locate a buyer has been initiated, the sale of the asset is probable within one year, the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Specific components of net income that are presented as discontinued operations include the held for sale communities operating results, depreciation and interest expense to the extent there is a secured loan on the property. In addition, the net gain or loss on the eventual disposal of communities held for sale will be presented as income from discontinued operations when recognized. Real estate assets held for sale are measured at the lower of the carrying amount or the fair value less the cost to sell. Subsequent to classification of a community as held for sale, no further depreciation is recorded on the assets. Communities are presented as held for sale on the accompanying consolidated balance sheets only in the period that they qualify for such treatment. Sales are generally recorded after title has been transferred to the buyer and after appropriate payments have been received and other criteria met.

Equity Interests in Real Estate Joint Ventures

The Company s investments in non-controlled real estate joint ventures and joint ventures which are VIEs in which the Company is not the primary beneficiary are recorded under the equity method of accounting on the accompanying consolidated financial statements. Investments in real estate joint ventures that are managed by the Company are included in equity interests in and advances to real estate joint ventures.

Conversion of Operating Company Units

Conversions of Operating Company units are accounted for at book value, with the minority interest amount for the related converted unit being reclassified to Common stock and Additional paid-in capital.

Rental Revenue

Rental income is recorded when due from residents and recognized monthly as it is earned and realizable, under lease terms which are generally for periods of one year or less. There were no contingent rental payments or percentage rents in the three years ended December 31, 2007. Rent concessions are amortized over the lives of the related leases.

Cash

Cash and cash equivalents include all cash and liquid investments with an original maturity of three months or less from the date acquired. The Company maintains its cash at financial institutions. The combined account balances at one or more institutions periodically exceed the Federal Depository Insurance Corporation (FDIC) insurance coverage, and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. The Company believes that the risk is not significant, as the Company places its cash deposits and temporary cash investments with financial institutions believed by management to be creditworthy and of high quality.

Deferred Costs

Included in Other assets are costs incurred in obtaining debt financing that are deferred and amortized over the terms of the respective debt agreements as interest expense. Related amortization expense is included in interest expense in the accompanying consolidated statements of income. Net deferred financing costs included in Other assets in the accompanying consolidated balance sheets are $20,174,000 and $18,250,000 as of December 31, 2007 and 2006, respectively. Amortization of deferred costs totaled $3,527,000, $3,360,000 and $3,265,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

Income Taxes

BRE has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the Code). As a result, BRE will not be subject to federal taxation at the corporate level to the extent it distributes, annually, at least 100% of its REIT taxable income, as defined by the Code, to its shareholders and satisfies certain other requirements. In addition, the states in which BRE owns and operates real estate properties have provisions equivalent to the federal REIT provisions. Accordingly, no provision has been made for federal or state income taxes at the REIT level in the accompanying consolidated financial statements.

Fair Value of Financial Instruments

The fair values of BRE s financial instruments, including such items in the consolidated financial statement captions as Other assets (which includes cash and mortgages receivable), and lines of credit, approximate their carrying or contract values based on their nature, terms and interest rates that approximate current market rates. The fair value of mortgage loans payable and unsecured senior notes is estimated using discounted cash flow analyses with an interest rate similar to that of current market borrowing arrangements. The fair value of the Company s mortgage loans payable and unsecured senior notes was approximately $1,727,000,000 and $1,466,000,000 at December 31, 2007 and 2006, respectively.

Stock-based compensation

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (Revised 2004), Share-Based Payment (SFAS No. 123(R)), which is a revision of SFAS No. 123 Accounting for Stock-Based Compensation (SFAS No. 123). SFAS No. 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative.

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123(R) using the modified prospective method. This method requires the recognition of compensation cost for all share based payments that are unvested as of January 1, 2006. The cost related to stock-based compensation included in the determination of consolidated net income for the twelve months ended December 31, 2007 and 2006 includes all awards outstanding that are vesting during the period. From January 1, 2003 through December 31, 2005, the Company applied the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation (SFAS No. 123), as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure (SFAS No. 148). The Company adopted the prospective method as provided for in SFAS No. 148, under which the provisions of SFAS No. 123 were applied prospectively to all awards granted, modified or settled after January 1, 2003. Therefore, the cost related to stock-based compensation included in the determination of consolidated net income for the twelve months ended December 31, 2005 is less than that which would have been recognized if the fair value method had been applied to all option awards in prior years. Prior to 2003, the Company accounted for stock-based compensation under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations.

Stock based compensation awards under BRE s plans vest over periods ranging from one to five years. The Company recognizes expense for awards with graded vesting on a straight line basis. At December 31, 2007, compensation cost related to non-vested awards not yet recognized totaled approximately $8,200,000 and the weighted average period over which it is expected to be recognized is 1.9 years. During the twelve months ended December 31, 2007, 30,926 restricted shares and 35,613 stock options were awarded.

The following table illustrates the pro forma effect on consolidated net income and earnings per share of all outstanding option awards for 2005.

	2005
Net income available to common shareholders, as reported	$ 63,075,000
Add: Stock-based compensation expense included in reported net income	2,704,000
Deduct: Total stock-based compensation expense determined under fair value based method for all awards	(2,881,000)
Pro forma net income	$ 62,898,000
Earnings per share:	
Basic as reported	$ 1.24
Basic pro forma	$ 1.23
Diluted as reported	$ 1.22
Diluted pro forma	$ 1.21

The fair values for options were estimated as of the date of grant using a Black-Scholes option pricing model, with the following weighted average assumptions for the years ended December 31, 2007, 2006, and 2005:

	Years ended December 31		
	2007	**2006**	**2005**
Risk-free interest rate	4.86%	4.93%	3.74%
Dividend yield	4.91%	5.43%	6.00%
Volatility	.19	.19	.20
Weighted average option life	6 years	6 years	7 years

The effect of pro forma application of SFAS 123 is not necessarily representative of the effect on consolidated net income for future periods.

The Black-Scholes option-pricing model was developed for use in estimating the fair market value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the above stock option plans have characteristics significantly different from those of traded options, and because, in management s opinion, changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of the above stock option plans.

Reclassifications

Certain reclassifications have been made to the prior years consolidated financial statements to conform to the presentation of the current year s consolidated financial statements.

Reportable Segments

SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, requires certain descriptive information to be provided about an enterprise s reportable segments. BRE has determined that it has only one operating and reportable segment, multifamily communities, which comprised 99% of BRE s consolidated assets at December 31, 2007 and 2006 and approximately 99% of its total consolidated revenues for the three years ended December 31, 2007.

Concentration Risk

All multifamily communities owned by the Company are located in the Western United States, in three general markets that it defines as California, Pacific Northwest, and Mountain/Desert States. All revenues are from external customers and there are no revenues from transactions with other segments. There are no residents that contributed 10% or more of BRE s total revenues in the years ended December 31, 2007, 2006 or 2005.

Recently Issued Accounting Pronouncements

In July 2006 the Financial Accounting Standards Board issued Interpretation No. 48 (FIN 48), Accounting for uncertainty in Income Taxes an interpretation of FASB Statement No. 109. FIN 48 prescribes a consistent recognition threshold and measurement standard, as well as clear criteria for subsequently recognizing, derecognizing and measuring tax positions for financial statement purposes. The Company adopted the provisions of FIN 48 for its fiscal year ended December 31, 2007. The Company did not have any unrecognized tax benefits and there was no material effect on either the financial condition or results of the operations as a result of implementing FIN 48. The Company does not believe that there will be any material changes in unrecognized tax positions over the next twelve months.

In September 2006, the Financial Accounting Standards Board, issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements, or SFAS 157. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. SFAS 157 applies whenever other standards require assets or liabilities to be measured at fair value and does not expand the use of fair value in any new circumstances. SFAS 157 establishes a hierarchy that prioritizes the information used in developing fair value estimates. The hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, such as the reporting entity s own data. SFAS 157 requires fair value measurements to be disclosed by level within the fair value hierarchy. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company does not expect the adoption of SFAS 157 to have a material impact on the consolidated financial statements.

3. Real Estate Portfolio

The components of direct investments in real estate investments in rental properties follow:

	December 31	
	2007	**2006**
Land	$ 501,476,000	$ 515,572,000
Buildings and improvements	2,321,803,000	2,210,587,000
Subtotal	2,823,279,000	2,726,159,000
Accumulated depreciation	(458,474,000)	(401,893,000)
Total	$ 2,364,805,000	$ 2,324,266,000

BRE s carrying value of its assets exceeded the tax basis by approximately $182,489,000 (unaudited) at December 31, 2007.

A roll-forward of direct investments in real estate-construction in progress follows:

	December 31	
	2007	2006
Opening balance	$ 242,509,000	$ 171,423,000
Costs incurred to projects under construction	153,627,000	99,103,000
Transfers of construction in progress to direct investments in real estate investments in rental properties	(129,279,000)	(93,449,000)
Transfers from land under development to direct investments in real estate construction in progress	31,082,000	65,432,000
Ending balance	$ 297,939,000	$ 242,509,000

At December 31, 2007, BRE had an estimated cost of $184,600,000 to complete existing construction in progress, with funding estimated from 2008 through 2010.

4. Equity Interests in and Advances to Real Estate Joint Ventures

As of December 31, 2007, BRE had thirteen joint venture arrangements in which its capital interest in two of the joint ventures is 35% and its ownership interest in eleven of the joint ventures is 15%; these joint ventures are managed by the Company (the joint ventures). The Company accounts for its investments in these joint ventures under the equity method of accounting.

Each of the joint ventures in which the Company has a capital interest of 35% contains a single multifamily community that was developed by BRE and completed in 2001. BRE s investment in these joint ventures totals $12,343,000 and $10,545,000 as of December 31, 2007 and 2006, respectively, and is shown as Equity interests in and advances to real estate joint ventures-investments in rental properties on BRE s consolidated balance sheets. The communities had a total cost of approximately $43,977,000. The joint ventures carry secured, non-recourse loans totaling $18,272,000 that mature in 2011 and bear interest at rates of 7.25% and 8.0%.

Each of the joint ventures in which the Company has an ownership interest of 15% contains a single multifamily community that was acquired or developed by BRE between 1986 and 2003. BRE s investment in these joint ventures totals $50,623,000 and $28,301,000 as of December 31, 2007 and 2006, respectively, and is shown as Equity interests in and advances in real estate joint ventures-investments in rental properties on BRE s consolidated balance sheets. The joint ventures are un-leveraged. During 2007, the Company purchased a 15% equity interest in three newly formed joint ventures for approximately $19,500,000. The joint venture partner contributed approximately $110,535,000 for an 85% interest in the joint ventures. The properties have a total of 976 units and are located in Colorado, with a total value of $130,035,000.

On July 11, 2007, the Company contributed one community with a total value of $52,000,000 and 432 units located in Phoenix, Arizona, to a newly formed joint venture in exchange for 15% equity interest in the joint venture and approximately $44,000,000 in cash. The joint venture investment is reported as Equity interests in and advances in real estate joint ventures-investments in rental properties on the consolidated balance sheet. The Company s net carrying value of the investment in the joint venture is equal to 15% of the total carrying value of the net asset, at the time of the contribution, which totaled approximately $20,500,000.

On April 27, 2006, the Company contributed the majority owned properties with 2,184 units located in Denver, Colorado, and Phoenix, Arizona for a total value of $235,000,000 to the ventures in exchange for a 15% equity interest in each joint venture and approximately $200,000,000 in cash. The net carrying value of the Company s investment in the seven joint ventures is equal to 15% of the Company s net carrying value, at the time of contribution which totaled approximately $189,000,000. The difference between the Company s 15% interest in the ventures recorded at its book value and the fair value of the assets contributed and recorded by the joint ventures, will be adjusted through reduced depreciation expense pickup.

In addition to the joint ventures discussed above, the Company also had an investment in a real estate joint venture managed by a third-party (non-managed joint venture) which it sold during December of 2005 for a gain of approximately $4,575,000.

The Company s income from unconsolidated equity investments in joint ventures totaled $2,133,000, $1,150,000 and $4,859,000 for the years ended December 31, 2007, 2006 and 2005, respectively. Included in the 2005 total is the gain on sale totaling $4,575,000.

5. Other Assets

The components of Other assets follow:

	December 31	
	2007	2006
Prepaid loan fees	$ 20,174,000	$ 18,250,000
Predevelopment and escrow deposits	14,240,000	14,321,000
Accounts and mortgages receivable	10,739,000	10,621,000
Prepaid insurance	6,058,000	1,417,000
Furniture and equipment, net of accumulated depreciation	5,276,000	6,637,000
Deferred compensation plan	3,365,000	3,099,000
Other	5,216,000	6,784,000
Total Other Assets	$ 65,068,000	$ 61,129,000

6. Mortgage Loans Payable and Secured Line of Credit

The following data pertain to BRE s secured debt at December 31, 2007 and 2006:

	December 31,	
	2007	2006
Fixed rate secured mortgage loans	$ 162,882,000	$ 165,620,000
Variable rate secured mortgage loans	11,200,000	23,290,000
Secured line of credit		75,000,000
Total secured debt	$ 174,082,000	$ 263,910,000
Net book value of investments in real estate securing mortgage loans and secured line of credit	$ 474,544,000	$ 482,174,000
Remaining terms of mortgage loans payable	1-6 years	1-7 years
Weighted average interest rate on fixed rate mortgages	6.2%	6.2%
Weighted average interest rate on variable rate mortgages	4.7%	4.7%
Weighted average interest rate on variable secured line of credit		6.3%

Future scheduled principal payments are included in Note 7.

During 2003, BRE established a Fannie Mae credit facility maturing in May of 2008 with borrowings of $100,000,000 and an option to increase the size to $250,000,000. During the first quarter of 2004, BRE increased the size of the facility from $100,000,000 to $140,000,000. During the second quarter of 2005, the Company decreased the size of the facility from $140,000,000 to $75,000,000. In August 2005, BRE amended the credit facility to reduce the number of multifamily communities securing the line from nine to four and modified certain geographical diversification requirements. These four multifamily communities are held by a consolidated subsidiary of BRE. Borrowings under the secured line of credit totaled $0 and $75,000,000 at December 31, 2007 and 2006. Four multifamily communities with a net carrying value of $140,075,000 and

$141,824,000 secured the credit facility at December 31, 2007 and December 31, 2006, respectively. Subject to the terms of the facility, the Company has the option to convert variable-rate borrowings to fixed-rate borrowings.

7. Unsecured Senior Notes and Unsecured Line of Credit

The following table pertains to BRE s unsecured senior notes and unsecured line of credit at December 31, 2007 and 2006:

	December 31,	
	2007	**2006**
Fixed rate unsecured notes	$ 1,540,000,000	$ 1,290,000,000
Unsecured line of credit	205,000,000	115,000,000
Total unsecured debt	$ 1,745,000,000	$ 1,405,000,000
Weighted average interest rate on fixed rate unsecured notes	5.6%	5.7%
Weighted average interest rate on unsecured line of credit	6.5%	6.3%

On September 18, 2007, the Company amended and restated its credit agreement with a group of 18 lenders, increasing the size of the revolving credit facility from $600,000,000 to $750,000,000 and extending the maturity date from January 18, 2010 to September 18, 2012. Based on the Company s current debt ratings, the line of credit accrues interest at LIBOR plus 47.5 basis points. In addition, the Company pays a 0.15% annual facility fee on the capacity of the facility. Borrowings under the revolving unsecured line of credit totaled $205,000,000 at December 31, 2007, compared to $115,000,000 at December 31, 2006. Borrowings under the credit facility are used to fund acquisition and development activities as well as for general corporate purposes. Balances on the revolving unsecured line of credit are typically reduced with available cash balances.

On March 13, 2007, the Company completed an offering of $300,000,000 of 10-year senior unsecured notes. The notes will mature on March 15, 2017 and bear interest at a fixed coupon rate of 5.50%. Net proceeds from the offering, after all discounts, commissions, and issuance costs totaled approximately $297,000,000 and were used for general corporate purposes.

On August 15, 2006, the Company completed a private offering of $460,000,000 aggregate principal amount of exchangeable senior unsecured notes that mature on August 15, 2026. The notes bear interest at a fixed coupon rate of 4.125%. The notes may be converted into shares of BRE common stock (Common Shares), at the option of the holder, under specific circumstances, or on or after July 15, 2026, at an initial conversion rate of 14.0432 shares per $1,000 principal amount of notes. This is equivalent to an initial conversion price of $71.21 per share, which represents a 27.50% premium over the $55.85 closing price of the Company s stock at the time the transaction was priced. The initial exchange rate is subject to adjustment in certain circumstances. Upon a conversion of notes, the Company will settle any amounts up to the principal amount of the notes in cash and the remaining conversion value, if any, will be settled, at the Company s option, in cash, Common Shares or a combination thereof. The shares that would have been issued if the convertible securities were converted are not included in the diluted earnings per share calculation in 2006 as the average share price was less than the conversion price.

On or after February 21, 2012, the Company may redeem the notes at a redemption price equal to the principal amount of the notes plus any accrued but unpaid interest thereon, and in certain circumstances, any additional conversion value. In addition, on February 21, 2012, August 15, 2013, August 15, 2016 and August 15, 2021 or following the occurrence of certain change in control transactions, note holders may require the Company to repurchase the notes for an amount equal to the principal amount of the notes plus any accrued but unpaid interest thereon.

Net proceeds from the issuance were used to concurrently repurchase 1,342,883 shares of the Company s common stock for $75,000,000 at a price of $55.85 per share. The remaining net proceeds were used to repay revolving unsecured credit facility indebtedness and to redeem $150,000,000 of unsecured notes scheduled to mature March 2007. Prepayment charges associated with the early retirement of the $150,000,000 of senior unsecured notes scheduled to mature March 2007 totaled $576,000 and are recorded as Other expenses on the Consolidated Statement of Income.

The unsecured line of credit and unsecured senior note agreements contain various covenants that include, among other factors, tangible net worth and requirements to maintain certain financial ratios. BRE was in compliance with all such financial covenants throughout the years ended December 31, 2007 and 2006.

Scheduled principal payments required on the lines of credit, unsecured senior notes payable and mortgage loans payable for the next five years and thereafter are as follows.

2008	$ 22,586,000
2009	219,340,000
2010	183,271,000
2011	252,127,000
2012	731,645,000
Thereafter	510,113,000
Total	$ 1,919,082,000

Interest expense on mortgage loans, lines of credit and unsecured senior notes, including amortization of related issuance costs, aggregated $106,849,000, $95,993,000 and $87,896,000 for the years ended December 31, 2007, 2006 and 2005, respectively. Capitalized interest was $24,097,000, $15,794,000 and $11,343,000 for the years ended December 31, 2007, 2006 and 2005, respectively. Excluding capitalized interest, cash paid for interest totaled $76,277,000, $76,844,000 and $75,557,000 in 2007, 2006, and 2005, respectively.

8. Accounts Payable and Accrued Expenses

The components of accounts payable and accrued expenses follow:

	December 31	
	2007	**2006**
Accrued interest payable	$ 29,750,000	$ 25,222,000
Security deposits	8,887,000	8,750,000
Accrued employee and non employee director benefits	10,634,000	16,898,000
Accrued development costs	10,585,000	10,777,000
Retention payable	8,629,000	3,774,000
Other	11,921,000	11,771,000
Total Accounts Payable and Accrued Expenses	$ 80,406,000	$ 77,192,000

9. Discontinued Operations

The results of operations for properties sold during the period or designated as held for sale at the end of the period are required to be classified as discontinued operations if deemed a component of an entity. The property-specific components of net earnings that are classified as discontinued operations include operating results, depreciation expense recognized prior to the classification as held for sale, and the net gain or loss on disposal. At December 31, 2007, the Company had one operating apartment community classified as held for sale, which is expected to be sold to an unrelated third party within twelve months after December 31, 2007. The estimated proceeds less anticipated costs to sell the asset held for sale at December 31, 2007 are greater than the carrying value as of December 31, 2007, and therefore no provisions for possible losses were recorded.

On July 11, 2007, the Company contributed one community with a total value of $52,000,000 and 432 units located in Phoenix, Arizona, classified as held for sale at June 30, 2007, to a newly formed joint venture in exchange for 15% equity interest in the joint venture and approximately $44,000,000 in cash. The joint venture investment is reported as equity interests in investments in rental properties on the consolidated balance sheet. The net carrying value of the investment in the joint venture is equal to 15% of the total carrying value of the net asset, at the time of the contribution, which totaled approximately $20,500,000. In connection with the contribution, the Company recognized a gain of $26,600,000.

During 2007, the Company sold three communities totaling 441 units: Hazel Ranch, with 208 units located in Sacramento, California; Shaliko, with 152 units located in Sacramento, California; and Brentwood Townhomes with 81 units, located in Seattle, Washington. The three communities were sold for an aggregate sales price of approximately $56,400,000, resulting in a net gain on sale of approximately $29,400,000.

On April 27, 2006 the Company contributed the seven majority owned properties with 2,184 units located in Denver, Colorado, and Phoenix, Arizona for a total value of $235,000,000 to seven joint ventures in exchange for a 15% equity interest in each joint venture and approximately $200,000,000 in cash. These seven joint venture investments are reported as equity interests in investments in rental properties on the consolidated balance sheet. The net carrying value of the Company s investment in the seven joint ventures is equal to 15% of the Company s net carrying value, at the time of contribution, which totaled approximately $189,000,000. The Company recorded a gain on the sale of the assets totaling $38,302,000. During 2006, the seven communities contributed $3,961,000 in net income prior to the April 27, 2006 sale date.

During the second quarter of 2005, the Company sold Pinnacle Mountain View, with 324 units, and Pinnacle Canyon View, with 288 units, both located in Salt Lake City, Utah. Pinnacle Mountain View was sold for approximately $27,750,000, resulting in a gain on sale of approximately $3,851,000. Pinnacle Canyon View was sold for approximately $25,000,000, resulting in a gain on sale of approximately $1,523,000. These two sales concluded the Company s exit from the Salt Lake City market.

During the first quarter of 2005, the Company sold Scottsdale Cove, with 316 units, located in Scottsdale, Arizona for gross proceeds of approximately $36,500,000, resulting in a gain on sale of approximately $21,523,000.

The net gain on sale and the combined results of operations for these fifteen properties are included in discontinued operations on the consolidated statements of income for each twelve month ended period presented. These amounts totaled $60,862,000, $47,151,000 and $43,035,000 for the twelve months ended December 31, 2007, 2006 and 2005, respectively.

The following is a breakdown of the gain on sales and the combined results of operations for the properties included in discontinued operations:

	Years ended December 31		
	2007	**2006**	**2005**
Rental income	$ 9,478,000	$ 18,024,000	$ 33,710,000
Real estate expenses	(3,632,000)	(7,012,000)	(12,223,000)
Provision for depreciation	(941,000)	(2,163,000)	(5,349,000)
Gain on sales of discontinued operations	55,957,000	38,302,000	26,897,000
Total discontinued operations	$ 60,862,000	$ 47,151,000	$ 43,035,000

10. Preferred Stock

The following table presents the Company s issued and outstanding Preferred Shares as of December 31, 2007 and 2006:

	Optional Redemption Date(1)	Annual Dividend Rate per Share(2)	Outstanding at December 31, 2007	Outstanding at December 31, 2006
Preferred Stock, nonvoting, $0.01 par value; 20,000,000 shares authorized:				
8.08% Series B cumulative redeemable, liquidation preference $25.00 per share, 0 and 3,000,000 shares outstanding at December 31, 2007 and December 31, 2006, respectively(3)	June 2007	$ 2.0200	$	$ 75,000,000
6.75% Series C cumulative redeemable, liquidation preference $25.00 per share, 4,000,000 shares outstanding at December 31, 2007 and December 31, 2006	March 2009	$ 1.6875	100,000,000	100,000,000
6.75% Series D cumulative redeemable, liquidation preference $25.00 per share, 3,000,000 shares outstanding at December 31, 2007 and December 31, 2006	December 2009	$ 1.6875	75,000,000	75,000,000
			$ 175,000,000	$ 250,000,000

(1) On or after the redemption date, all series may be redeemed for cash at the option of the Company, in whole or in part, at a redemption price equal to the liquidation price per share, plus accrued and unpaid dividends, if any.

(2) Dividends on all series of Preferred Shares are payable quarterly. All series of preferred stock rank prior to the Company s common stock with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding up. Each series of preferred stock ranks on parity with the others.

(3) On September 14, 2007, we redeemed all 3,000,000 shares of 8.08% Series B Cumulative Redeemable Preferred Stock at a redemption price of $25.42644 per share. The redemption price was equal to the original issuance price of $25.00 per share, plus accrued and unpaid dividends to the redemption date. The initial issuance costs totaling $2,768,000 associated with the Series B Cumulative Redeemable Preferred Stock was expensed during the third quarter of 2007. The initial issuance costs totaling $2,768,000 associated with the Series B Cumulative Redeemable Preferred Stock was included in net income available to common shareholders during the third quarter of 2007.

11. Stock Option Plans

Employee Plans

The 1992 Stock Option Plan and the 1999 BRE Stock Incentive Plan, as amended (the Plans) provide for the issuance of incentive stock options, non-qualified stock options, share appreciation rights, restricted shares and other grants. The maximum number of shares that may be issued under the Plans is 5,850,000. The option price may not be less than the fair market value of a share on the date that the option is granted and the options generally vest over three to five years. Shareholders initially adopted the 1999 BRE Stock Incentive Plan in 1999 and approved the plan as amended in 2001. The 1999 BRE Stock Incentive Plan, as amended, allows for grants of up to 3,500,000 shares. Changes in options outstanding during the years ended December 31, 2007, 2006, and 2005 were as follows:

	Years ended December 31					
	2007		2006		2005	
	Shares under option	Weighted average exercise price	Shares under option	Weighted average exercise price	Shares under option	Weighted average exercise price
Balance at beginning of period	855,910	$ 30.66	1,468,950	$ 30.39	2,082,465	$ 29.99
Granted						
Exercised	(140,984)	$ 29.93	(594,722)	$ 29.96	(587,268)	$ 28.90
Cancelled	(1,500)	$ 32.45	(18,318)	$ 31.79	(26,247)	$ 31.61
Balance at end of period	713,426	$ 30.80	855,910	$ 30.66	1,468,950	$ 30.39
Exercisable	588,626	$ 30.57	580,372	$ 30.25	957,336	$ 29.89
Weighted average estimated fair value of options granted during the year		$		$		$

At December 31, 2007, the exercise price of shares under option ranged from $22.40 to $32.97, with a weighted average exercise price of $30.57. Expiration dates range from 2008 through 2014; the weighted average remaining contractual life of these options is five years. Stock options were exercised during 2007 on options originally granted with exercise prices ranging from $22.71 to $32.45.

At December 31, 2007, there were 434,538 restricted shares outstanding under the Plans with an average award price of $40.47. There were 21,016, 23,429 and 379,158 restricted shares granted in 2007, 2006 and 2005, respectively. The fair value of restricted shares awarded totaled $1,418,000, $1,241,000 and $15,086,000 in 2007, 2006 and 2005, respectively. During 2005, the Company adopted a new long-term incentive award program for executive officers, that established a five-year performance period. The program is heavily weighted on the achievement of performance metrics, with 90% of the award cliff vesting at the end of the five year performance period. The remaining 10% of the grant vests 2% each year over the five-year period, subject to continuous employment with the Company. The shares granted represent target performance, as defined in the agreements. If the performance metrics are not achieved, the shares subject to performance will not vest. The number of shares awarded to executive officers under this plan in 2005 totaled 345,667. There were no share awards to executive officers under this plan in 2006 and 2007.

The intrinsic value of options exercised and restricted shares vested totaled $4,295,000, $14,219,000 and $9,273,000 during 2007, 2006 and 2005, respectively. The aggregate intrinsic value of options currently exercisable at December 31, 2007, 2006 and 2005 was $5,860,000, $20,180,000, and $14,932,000. The total compensation cost capitalized as part of the cost of an asset totaled $1,081,000, $970,000 and $628,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

Non-Employee Director Stock Option and Restricted Stock Plan

The Fifth Amended and Restated Non-Employee Director Stock Option and Restricted Stock Plan provides for: (1) annual grants of restricted stock with a market price-based value of $91,000 per year per non-employee director; (2) discretionary annual grants for service as Chairman of the Board or Lead Director of restricted stock or share appreciation rights with an aggregate value of up to $35,000 per year; and (3) annual grants for service as a Board committee chairman of restricted stock with an aggregate value of $10,500 per year per committee chairman. The maximum number of shares that may be issued under this plan is 2,650,000. As with the Plans, the option price may not be less than the fair market value of a share on the date the option is granted. Changes in options outstanding for the years ended December 31, 2007, 2006, and 2005 were as follows:

	Years ended December 31					
	2007		2006		2005	
	Shares under option	Weighted average exercise price	Shares under option	Weighted average exercise price	Shares under option	Weighted average exercise price
Balance at beginning of period	1,040,129	$ 32.84	1,442,468	$ 30.57	1,420,760	$ 29.89
Granted	35,613	$ 63.22	50,359	$ 52.20	79,910	$ 38.54
Exercised	(193,216)	$ 29.11	(452,698)	$ 29.93	(58,202)	$ 25.04
Cancelled	(3,774)	$ 63.22				
Balance at end of period	878,752	$ 33.64	1,040,129	$ 32.84	1,442,468	$ 30.57
Exercisable	819,082	$ 32.39	950,627	$ 30.55	1,362,558	$ 30.10
Weighted average estimated fair value of options granted during the year		$ 8.50		$ 6.48		$ 3.92

At December 31, 2007, the exercise prices of shares under option ranged between $24.69 and $63.22, with expiration dates from 2008 to 2017. The options vest ratably over periods ranging from one to three years. The weighted average remaining contractual life of these options is four years. At December 31, 2007, there were 14,736 restricted shares outstanding under the Plan with an average award price of $53.44. There were 9,910, 6,245 and 8,040 restricted shares granted in 2007, 2006 and 2005, respectively. The fair value of restricted shares awarded totaled $564,000, $326,000 and $310,000 in 2007, 2006 and 2005, respectively.

The intrinsic value of options exercised and restricted shares vested totaled $6,261,000, $13,343,000 and $1,447,000, respectively. The aggregate intrinsic value of options currently exercisable at December 31, 2007, 2006 and 2005 was $6,667,000, $32,771,000, and $20,954,000.

Direct Stock Purchase and Dividend Reinvestment Plan

In 1996, the Company instituted a direct stock purchase and dividend reinvestment plan (the DRIP) in which shareholders may purchase either newly issued or previously issued shares. There is no discount on shares purchased through the DRIP. The total amount of shares authorized under the DRIP is 1,500,000; from inception through December 31, 2007, 264,998 new shares have been issued.

12. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share with respect to income from continuing operations:

	2007	2006	2005
Numerator:			
Net income available to common shareholders	$ 109,191,000	$ 102,322,000	$ 63,075,000
Less adjustment for earnings and gains from discontinued operations	(60,862,000)	(47,151,000)	(43,035,000)
Numerator for basic and diluted earnings per share from continuing operations	$ 48,329,000	$ 55,171,000	$ 20,040,000
Denominator:			
Denominator for basic earnings per share weighted average shares	50,735,000	50,925,000	50,930,000
Effect of dilutive securities:			
Stock based awards	1,045,000	1,225,000	860,000
Denominator for diluted earnings per share adjusted for weighted average shares and assumed conversion	51,780,000	52,150,000	51,790,000
Basic earnings per share from continuing operations	$ 0.95	$ 1.08	$ 0.39
Basic earnings per share from discontinued operations	1.20	0.93	0.85
Basic earnings per share	$ 2.15	$ 2.01	$ 1.24
Diluted earnings per share from continuing operations	$ 0.93	$ 1.06	$ 0.39
Diluted earnings per share from discontinued operations	1.18	0.90	0.83
Diluted earnings per share	$ 2.11	$ 1.96	$ 1.22

Under FASB Statement No. 128, Earnings per Share , the effect of anti-dilutive Operating Company units has been excluded from the diluted earnings per share calculation. Weighted average Operating Company units totaled 870,000, 975,000, and 1,020,000 for three years ended December 31, 2007, 2006 and 2005, respectively.

13. Retirement Plan

BRE has a 401K defined contribution retirement plan covering all employees with more than six months of continuous full-time employment. In addition to employee elective deferrals, in 2007, 2006 and 2005, BRE contributed up to 3% of the employee s compensation up to $6,750 per employee in 2007 from $6,600 per employee in 2006 and $6,000 per employee in 2005. The aggregate amounts contributed and recognized as expense by BRE were $463,000, $427,000 and $473,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

14. Related Party Transactions

Certain executives of BRE have purchased stock, the consideration for which was interest-bearing recourse loans. Loans were issued from 2000 through July 2002, at which time the loan program was suspended. The loans are due five years from the date of issuance and do not have forgiveness provisions. At December 31, 2007 and 2006, the carrying amount of the loans was $0 and $632,000, respectively. Interest income from the notes totaled $8,000, $48,000 and $66,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

BRE had notes receivable from third party minority interest members of limited liability company subsidiaries of the company totaling $7,469,000 and $7,560,000 at December 31, 2007 and 2006, respectively. The amounts are recorded in Other assets on the consolidated balance sheets. Interest income from the notes totaled $381,000, $385,000 and $408,000 for the years ended December 31, 2007, 2006 and 2005, respectively. The Company has recourse to take over the ownership in the underlying assets from the third party minority interest member in the event of default.

15. Commitments and Contingencies

Commitments

During the years ended December 31, 2007, 2006 and 2005, total operating lease payments incurred for office space, including real estate taxes, insurance, repairs and utilities, aggregated $1,032,000; $986,000 and $1,504,000 respectively.

The minimum future basic aggregate rental commitment under the Company s operating leases is as follows:

2008	1,199,000
2009	1,213,000
2010	1,176,000
2011	821,000
2012	828,000
Thereafter	2,558,000
Total	$ 7,795,000

The Company entered into an operating agreement for office space in Seattle, WA commencing on June 1, 2007 and ending September 1, 2012. The Company has one option to extend the lease for 5 years. The Company entered into an operating lease for the Corporate office located in San Francisco, CA commencing on August 1, 2005 and ending on February 1, 2016. BRE has two options to extend the term of the lease for an additional 5 years for each option. BRE entered into an operating lease for office space in Irvine, CA commencing on December 1, 2005 and ending on December 1, 2010. The Company has one option to extend the lease for 5 years. Over the term of each lease, rent is based on fixed contractual increases to the base rent and expense is recognized on a straight line basis.

Contingencies

The Company is involved in various legal actions arising in the ordinary course of business. As of December 31, 2007, there were no pending legal proceedings to which the Company is a party or of which any of its properties is the subject, the adverse determination of which the Company anticipates would have a material adverse effect upon its consolidated financial condition and results of operations.

16. Legal Settlements

Pinnacle Galleria

During 2001, the Company completed the Pinnacle Galleria joint venture development, a 236 unit operating community in Roseville, California.

During 2007, it was determined that breezeways and stair casings needed replacement as a result of construction defects and product failure. The Company requested that the various responsible subcontractors replace the original construction but not all subcontractors elected to participate. As a result, the Company hired an unrelated subcontractor to perform the repairs and a claim was filed against the original subcontractors.

During the second quarter of 2007, the Company reached a binding settlement with one subcontractor for $1,900,000, which was recognized in Other income. The Company is still pursuing claims against other subcontractors.

Red Hawk Ranch

On April 14, 1997, the Company purchased Red Hawk Ranch Apartments, a 453-unit operating community in Fremont, California, from an unrelated third party builder. During 2004, we determined that the community required extensive replacement work to correct damage caused by construction defects. On March 18, 2003, BRE filed suit in the Alameda County Superior Court against the builder and other parties to protect against statutes of limitation. The Company conducted testing to determine the extent of the damage. Based upon the testing, the Company discovered that the exterior shell of each building at the community was compromised. As a result, during second quarter 2004 the size and scope of the lawsuit was expanded.

The Company commenced reconstruction during the second quarter of 2005 and completed reconstruction in 2007. On January 27, 2006 the Company reached a settlement in connection with the Red Hawk Ranch apartment community. Under terms of the settlement, the Company has received an aggregate of $17,500,000 from various defendants and the assignment of certain agreements and claims associated with three subcontractors against whom the company continued to pursue litigation. In April of 2006, the Company reached settlement terms with the subcontractors, in an amount totaling $2,000,000. All settlement funds were received by the Company in April of 2006 and the amounts were recorded as Other income during the second quarter of 2006.

17. Supplemental Financial Data (Unaudited)

Quarterly financial information follows:

	Year ended December 31, 2007			
	Quarter ended March 31	**Quarter ended June 30**	**Quarter ended September 30**	**Quarter ended December 31**
	(amounts in thousands, except per share data)			
Revenues*	$ 83,163	$ 85,364	$ 87,757	$ 88,880
Income from continuing operations	$ 15,266	$ 18,231	$ 17,785	$ 15,938
Discontinued operations	1,116	1,383	40,640	17,722
Preferred stock dividends	(4,468)	(4,468)	(4,232)	(2,953)
Redemption related preferred stock issuance cost			(2,768)	
Net income available to common shareholders	$ 11,914	$ 15,146	$ 51,425	$ 30,707
Basic earnings per share from continuing operations	$ 0.22	$ 0.27	$ 0.21	$ 0.25
Basic earnings per share from discontinued operations	0.02	0.03	0.80	0.35
Basic earnings per share	$ 0.24	$ 0.30	$ 1.01	$ 0.60
Diluted earnings per share from continuing operations	$ 0.21	$ 0.26	$ 0.21	$ 0.25
Diluted earnings per share from discontinued operations	0.02	0.03	0.78	0.34
Diluted earnings per share	$ 0.23	$ 0.29	$ 0.99	$ 0.59

	Year ended December 31, 2006			
	Quarter ended March 31	Quarter ended June 30	Quarter ended September 30	Quarter ended December 31
	(amounts in thousands, except per share data)			
Revenues*	$ 76,064	$ 79,237	$ 81,589	$ 81,700
Income from continuing operations	$ 7,562	$ 34,766	$ 14,722	$ 15,994
Discontinued operations	4,293	40,319	1,241	1,298
Preferred stock dividends	(4,468)	(4,468)	(4,468)	(4,468)
Net income available to common shareholders	$ 7,387	$ 70,617	$ 11,495	$ 12,824
Basic earnings per share from continuing operations	$ 0.06	$ 0.59	$ 0.20	$ 0.23
Basic earnings per share from discontinued operations	0.08	0.79	0.03	0.02
Basic earnings per share	$ 0.14	$ 1.38	$ 0.23	$ 0.25
Diluted earnings per share from continuing operations	$ 0.06	$ 0.57	$ 0.20	$ 0.23
Diluted earnings per share from discontinued operations	0.08	0.76	0.02	0.02
Diluted earnings per share	$ 0.14	$ 1.33	$ 0.22	$ 0.25

* Revenue totals do not include revenues from discontinued operations, other income and partnership income.

For the years ended December 31, 2007, 2006 and 2005, the federal income tax components of the Company s dividends on the common and preferred stock were as follows (unaudited).

	Ordinary Income	Long Term Capital Gain	Unrecaptured Section 1250 Gain	Return of Capital
Common Stock				
December 31, 2007	41%	51%	8%	%
December 31, 2006	38%	21%	21%	20%
December 31, 2005	42%	26%	7%	25%

	Ordinary Income	Long Term Capital Gain	Unrecaptured Section 1250 Gain	Return of Capital
Cumulative Redeemable Preferred Stock (all series)				
December 31, 2007	41%	51%	8%	%
December 31, 2006	47%	27%	26%	%
December 31, 2005	56%	34%	10%	%

BRE PROPERTIES INC.

SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2007

(Dollar amounts in thousands)

			Initial Cost to Company		Costs		Gross Amount at Which Carried at December 31, 2007				
					Capitalized	Depreciable					
		Dates Acquired/		Building &	Subsequent	Lives		Building &		Accumulated	
Property Name	**Location**	**Constructed**	**Land**	**Improvements**	**to Acquisition**	**Years**	**Land**	**Improvements**	**Total**	**Depreciation**	**Encumbrances**
APARTMENTS											
Sharon Green	Menlo Park, CA	1971/1970	$ 1,250	$ 5,770	$ 10,371	40	$ 1,250	$ 16,141	$ 17,391	$ (11,224)	
Verandas	Union City, CA	1993/1989	3,233	12,932	3,232	40	3,233	16,164	19,397	(6,484)	
Foster s Landing	Foster City, CA	1996/1987	11,742	47,846	10,460	40	11,742	58,306	70,048	(17,302)	
Pinnacle Crow Canyon	San Ramon, CA	1996/1992	8,724	34,895	7,241	40	8,724	42,136	50,860	(12,256)	
Blue Rock Village I & II*	Vallejo, CA	1997/1987	6,836	27,352	5,518	40	6,836	32,870	39,706	(9,732)	11,200
Lakeshore Landing	San Mateo, CA	1997/1988	8,547	34,228	5,777	40	8,547	40,005	48,552	(11,821)	
Mission Peaks	Fremont, CA	1997/1995	11,747	47,082	32,023	40	11,747	79,105	90,852	(24,528)	
Deer Valley*	San Rafael, CA	1997/1996	6,042	24,169	2,605	40	6,042	26,774	32,816	(7,367)	
Pinnacle City Centre*	Hayward, CA	2000/2000	4,903	22,999	346	40	4,903	23,345	28,248	(4,539)	
Sun Pointe Village	Fremont, CA	2000/1989	12,639	50,690	5,398	40	12,639	56,088	68,727	(10,465)	**
San Francisco Bay Area			75,663	307,963	82,971		75,663	390,934	466,597	(115,718)	11,200
Montanosa	San Diego, CA	1992/1989-90	6,005	24,065	7,471	40	6,005	31,536	37,541	(13,248)	32,294
Esplanade	San Diego, CA	1993/1985	6,350	25,421	4,900	40	6,350	30,321	36,671	(11,545)	
Terra Nova Villas	Chula Vista, CA	1994/1985	2,925	11,699	2,898	40	2,925	14,597	17,522	(5,163)	
Canyon Villas	Chula Vista, CA	1996/1981	3,064	12,258	2,366	40	3,064	14,624	17,688	(4,736)	
Lakeview Village	Spring Valley, CA	1996/1985	3,977	15,910	2,808	40	3,977	18,718	22,695	(6,042)	
Countryside Village	El Cajon, CA	1996/1989	1,002	4,007	919	40	1,002	4,926	5,928	(1,631)	
Cambridge Park	San Diego, CA	1998/1998	7,628	30,521	4,893	40	7,628	35,414	43,042	(9,198)	
Carmel Landing	San Diego, CA	1999/1989	6,928	27,686	4,347	40	6,928	32,033	38,961	(6,912)	
Pinnacle at Carmel Creek	San Diego, CA	2000/2000	4,744	45,430	5,106	40	4,744	50,536	55,280	(9,455)	
Pinnacle at Otay Ranch I & II	Chula Vista, CA	2001/2001	8,928	43,388	3,319	40	8,928	46,707	55,635	(7,397)	
Mission Trails	San Diego, CA	2002/1987	5,315	21,310	1,698	40	5,315	23,008	28,323	(3,663)	
Bernardo Crest		2002/1988	6,016	24,115	2,532	40	6,016	26,647	32,663	(4,488)	

	San Diego, CA										
Carmel Summit	San Diego, CA	2006/1989	16,025	36,611	5,205	40	16,025	41,816	57,841	(1,700)	
San Diego			78,907	322,421	48,462		78,907	370,883	449,790	(85,179)	32,294
Village Green	La Habra, CA	1972/1971	372	2,763	2,055	40	372	4,818	5,190	(3,510)	
Candlewood North	Northridge, CA	1996/1964-95	2,110	8,477	1,580	40	2,110	10,057	12,167	(3,104)	
Sycamore Valley	Fountain Valley, CA	1996/1969	4,617	18,691	4,314	40	4,617	23,005	27,622	(7,453)	
Windrush Village	Colton, CA	1996/1985	3,747	14,989	2,008	40	3,747	16,997	20,744	(5,326)	

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BRE PROPERTIES INC.

SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION

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(Dollar amounts in thousands)

			Initial Cost to Company		Costs		Gross Amount at Which Carried at December 31, 2007				
					Capitalized	Depreciable					
erty Name	**Location**	**Dates Acquired/ Constructed**	**Land**	**Building & Improvements**	**Subsequent to Acquisition**	**Lives Years**	**Land**	**Building & Improvements**	**Total**	**Accumulated Depreciation**	**Encumbr**
RTMENTS											
ummit	Chino Hills, CA	1996/1989	1,838	7,354	1,980	40	1,838	9,334	11,172	(2,831)	
Santana	Santa Ana, CA	1997/1986	3,016	12,180	1,929	40	3,016	14,109	17,125	(4,211)	
ide Village	Riverside, CA	1997/1987	3,417	13,674	2,001	40	3,417	15,675	19,092	(4,437)	
ide Court	Santa Ana, CA	1997/1987	2,013	8,632	1,674	40	2,013	10,306	12,319	(2,987)	
Siena	Costa Mesa, CA	1999/1974	4,853	19,739	9,419	40	4,853	29,158	34,011	(6,100)	
sia at ho Santa arita	Rancho Santa Margarita, CA	2000/1999	7,740	30,982	2,496	40	7,740	33,478	41,218	(6,289)	
cle at na Niguel	Rancho Niguel, CA	2001/1988	12,572	50,308	3,094	40	12,572	53,402	65,974	(9,358)	
er Creek	Riverside, CA	2002/1985	3,564	14,306	2,191	40	3,564	16,497	20,061	(2,867)	
ald Pointe*	Diamond Bar, CA	2002/1989	5,052	20,248	2,007	40	5,052	22,255	27,307	(3,554)	
cle at rthur Place	South Coast Metro, CA	2002/2002	8,155	54,257	3,376	40	8,155	57,633	65,788	(7,462)	
cle at ton	Fullerton, CA	2002/2004	7,087	36,869	177	40	7,087	37,046	44,133	(3,425)	
cle at idge	Valencia, CA	2002/2004	11,253	31,465	303	40	11,253	31,768	43,021	(2,752)	
cle at walk	Riverside, CA	2003/1986	14,603	58,237	7,889	40	14,603	66,126	80,729	(8,766)	
on Creek	Northridge, CA	2003/1986	6,152	24,650	2,819	40	6,152	27,469	33,621	(3,440)	
ve at Town e	Chino Hills, CA	2003/1987	2,473	10,069	2,144	40	2,473	12,213	14,686	(1,985)	
cle at a	San Clemente, CA	2004/2003	17,125	48,171	1,714	40	17,125	49,885	67,010	(5,686)	
nerwind homes	Harbor City, CA	1987/2004	6,950	27,879	3,412	40	6,950	31,291	38,241	(3,843)	
acy Palm	Los Angeles, CA	1987/2004	2,049	8,277	1,082	40	2,049	9,359	11,408	(1,155)	
sor Court	Los Angeles, CA	1987/2004	1,638	6,631	1,013	40	1,638	7,644	9,282	(984)	
ay Court	Los Angeles, CA	1987/2004	3,033	12,211	2,252	40	3,033	14,463	17,496	(1,721)	
Azure	Los Angeles, CA	2001/2004	40,560	96,565	4,152	40	40,560	100,717	141,277	(8,457)	7
na Gardens	Los Angeles, CA	1987/2005	6,400	20,309	661	40	6,400	20,970	27,370	(1,248)	
on Grove	Riverside, CA	2005	15,120	61,873	1,194	40	15,120	63,067	78,187	(4,502)	3
Heights II	Chino Hills, CA	2004/2005	3,827	22,645	147	40	3,827	22,792	26,619	(1,955)	
Hills	Chino Hills, CA	2005	5,305	36,199	319	40	5,305	36,518	41,823	(1,852)	
ria at gate	Moreno Valley, CA	2006	3,640	35,579	295	40	3,640	35,874	39,514	(1,609)	
eport Coast	Santa Clarita, CA	2006	11,500	28,741	28	40	11,500	28,769	40,269	(1,155)	
les/Orange ty			221,781	842,970	69,725		221,781	912,695	1,134,476	(124,024)	10

BRE PROPERTIES INC.

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(Dollar amounts in thousands)

			Initial Cost to Company		Costs Capitalized	Depreciable	Gross Amount at Which Carried at December 31, 2007				
Property Name	Location	Dates Acquired/ Constructed	Land	Building & Improvements	Subsequent to Acquisition	Lives Years	Land	Building & Improvements	Total	Accumulated Depreciation	Encumbrances
APARTMENTS											
Rocklin Gold	Rocklin, CA	1996/1990	1,558	6,232	1,422	40	1,558	7,654	9,212	(2,475)	
Quail Chase	Folsom, CA	1996/1990	1,303	5,211	1,043	40	1,303	6,254	7,557	(2,140)	
Canterbury Downs	Roseville, CA	1996/1993	2,297	9,190	871	40	2,297	10,061	12,358	(3,070)	
Selby Ranch	Sacramento, CA	1986/1971-74	2,660	18,340	9,939	40	2,660	28,279	30,939	(13,896)	
Overlook at Blue Ravine I*	Folsom, CA	1997/1991	6,050	24,203	4,777	40	6,050	28,980	35,030	(8,657)	
Arbor Pointe	Sacramento, CA	1997/1998	1,814	7,256	3,372	40	1,814	10,628	12,442	(4,312)	
Overlook at Blue Ravine II	Folsom, CA	2000/2000	1,014	9,575		40	1,014	9,575	10,589	(1,195)	
Pinnacle at Blue Ravine	Folsom, CA	2002/2000	3,073	32,689	440	40	3,073	33,129	36,202	(4,745)	**
Sacramento			19,769	112,696	21,864		19,769	134,560	154,329	(40,490)	
Pinnacle at South Mountain I & II*	Phoenix, AZ	1997/1996	11,062	44,257	2,122	40	11,062	46,379	57,441	(12,180)	8,772
Pinnacle Towne Center*	Phoenix, AZ	1998/1998	6,688	27,631	1,210	40	6,688	28,841	35,529	(7,093)	17,198
Phoenix			17,750	71,888	3,332		17,750	75,220	92,970	(19,274)	25,971
Parkwood at Mill Creek	Mill Creek, WA	1989/1989	3,947	15,811	1,427	40	3,947	17,238	21,185	(7,856)	
Shadowbrook	Redmond, WA	1987-98/1986	4,776	17,415	3,649	40	4,776	21,064	25,840	(10,154)	
Citywalk	Seattle, WA	1988/1988	1,123	4,276	642	40	1,123	4,918	6,041	(2,406)	
Thrasher s Mill	Bothell, WA	1996/1988	2,031	8,223	1,541	40	2,031	9,764	11,795	(3,185)	
Ballinger Commons	Seattle, WA	1996/1989	5,824	23,519	3,462	40	5,824	26,981	32,805	(8,588)	
Montebello	Kirkland, WA	1998/1998	6,680	27,274	764	40	6,680	28,038	34,718	(7,138)	
Park Highland	Bellevue, WA	1998/1993	5,602	22,483	2,580	40	5,602	25,063	30,665	(6,030)	
Pinnacle Bell Centre	Bellevue, WA	2000/2000	11,163	32,821	1,187	40	11,163	34,008	45,171	(5,897)	
Pinnacle Sonata	Bothell, WA	2002/2000	8,576	39,067	324	40	8,576	39,391	47,967	(5,952)	**
Pinnacle at Lake Washington	Renton, WA	2001/2001	4,878	26,184	1,248	40	4,878	27,432	32,310	(4,043)	
Pinnacle Bell town	Seattle, WA	2001/1992	4,279	17,259	1,289	40	4,279	18,548	22,827	(3,307)	
The Trails of Redmond	Redmond, WA	1985/2004	17,413	45,013	8,446	40	17,413	53,459	70,872	(5,839)	

Seattle		76,292	279,345	26,559		76,292	305,904	382,196	(70,395)	
Partially Completed Multi Family			129,279		40		129,279	129,279	(1,066)	
Non-Multi										
Gateway at Emeryville	Emeryville, CA	11,314	2,328		2	11,314	2,328	13,642	(2,328)	
TOTAL		**$ 501,476**	**$ 2,068,890**	**$ 252,913**		**$ 501,476**	**$ 2,321,803**	**$ 2,823,279**	**$ (458,474)**	**$ 174,082**

* Property held by a consolidated subsidiary of the Company
** Properties secure the Company's secured line of credit.

BRE PROPERTIES, INC.

SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2007

(Amounts in thousands)

The activity in investments in rental properties and related depreciation for the three-year period ended December 31, 2007 is as follows:

Investments in rental properties:

	Years ended December 31,		
	2007	**2006**	**2005**
Balance at beginning of year	$ 2,726,159	$ 2,530,046	$ 2,538,171
Multifamily communities purchased		52,636	116,687
Transfers from construction in progress and other miscellaneous capitalization	129,279	93,449	27,518
Capital expenditures	16,393	13,877	13,607
Rehabilitation expenditures	29,140	33,548	18,249
Investments sold	(60,227)		
Investments classified as held for sale	(16,892)		(210,143)
Change in accrued improvements to direct investment in real estate costs	(573)	3,027	753
Consolidation of variable interest entity			26,000
Write off of damaged assets to depreciation		(424)	
Less capital expenditures on properties held for sale			(796)
Balance at end of year	$ 2,823,279	$ 2,726,159	$ 2,530,046

Accumulated depreciation on rental properties:

	Years ended December 31,		
	2007	**2006**	**2005**
Balance at beginning of year	$ 401,893	$ 330,067	$ 280,498
Provision for depreciation, excluding discontinued operations	79,008	72,671	68,927
Other depreciation on non-rental properties	(4,836)	(3,008)	(2,186)
Provision for depreciation from discontinued operations	941	2,163	5,349
Less: depreciation expense on assets classified as held for sale			
Less: accumulated depreciation on assets classified as held for sale	(3,880)		(22,521)
Less: accumulated depreciation on properties sold	(14,652)		
Balance at end of year	$ 458,474	$ 401,893	$ 330,067

Certain balances have been reclassified to real estate held for sale, net.

INDEX TO EXHIBITS

Exhibit No.	Description
3.0	Amended and Restated Articles of Incorporation (previously filed on March 15, 1996 as Exhibit 3.1 to the Registrant s Current Report on Form 8-K)
3.1	Articles of Amendment (previously filed on April 28, 1997 as Exhibit 4.2 to the Registrant s Registration Statement on Form S-3 (No. 333-24915), as amended, and incorporated by reference herein)
3.2	Articles Supplementary of the Registrant, reclassifying all 2,300,000 shares of 8.50% Series A Cumulative Redeemable Preferred Stock as Preferred Stock and classifying and designating the terms of the 6.75% Series C Cumulative Redeemable Preferred Stock (previously filed on March 1, 2004 as Exhibit 3.4 of the Registrant s Form 8-A)
3.3	Articles Supplementary of the Registrant, classifying and designating the terms of the 6.75% Series D Cumulative Redeemable Preferred Stock (previously filed on December 8, 2004 as Exhibit 1.5 of the Registrant s Form 8-A)
3.4	Certificate of Correction of the Registrant (previously filed on January 29, 1999 as Exhibit 1.3 to the Registrant s Form 8-A and incorporated by reference herein)
3.5	Second Amended and Restated By-Laws of the Registrant (previously filed on May 23, 2007 as Exhibit 3.1 to the Registrant s Current Report on Form 8-K and incorporated by reference herein)
4.0	Indenture dated as of June 23, 1997 between the Registrant and Chase Trust Company of California (previously filed on June 23, 1997 as Exhibit 4.1 to the Registrant s Current Report on Form 8-K and incorporated by reference herein)
4.1	First Supplemental Indenture dated as of April 23, 1998 between the Registrant and Chase Manhattan Bank and Trust Company, National Association, as successor trustee (previously filed on May 14, 1998 as Exhibit 4.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 and incorporated by reference herein)
4.2	Second Supplemental Indenture, dated as of August 15, 2006, between BRE Properties, Inc. and J.P. Morgan Trust Company, National Association, as trustee, including the form of 4.125% Convertible Senior Notes due 2026 (previously filed on August 21, 2006 as Exhibit 4.1 to the Registrant s Current Report on Form 8-K and incorporated by reference herein).
4.3	Third Supplemental Indenture, dated as of November 3, 2006, between BRE Properties, Inc. and The Bank of New York Trust Company, National Association (successor to J.P. Morgan Trust Company, National Association) (previously filed on November 8, 2006 as Exhibit 4.1 to the Registrant s Current Report on Form 8-K and incorporated by reference herein).
4.4	Form of Note due 2013 (previously filed on February 24, 1998 as Exhibit 4.2 to the Registrant s Current Report on Form 8-K and incorporated by reference herein)
4.5	Form of Note due 2011 (previously filed on January 12, 2001 as Exhibit 4.1 to the Registrant s Current Report on Form 8-K and incorporated by reference herein)
4.6	Form of Note due 2009 (previously filed on August 26, 2002 as Exhibit 4.2 to the Registrant s Current Report on Form 8-K)
4.7	Form of Note due 2009 (previously filed on March 16, 2004 as Exhibit 4.1 to the Registrant s Current Report on Form 8-K)
4.8	Form of Note due 2014 (previously filed on March 16, 2004 as Exhibit 4.2 to the Registrant s Current Report on Form 8-K)

Exhibit No.	Description
4.9	Form of Note due 2010 (previously filed on May 18, 2005 as Exhibit 4.3 to the Registrant s Current Report on Form 8-K)
4.10	Specimen Common Stock Certificate (previously filed on February 17, 2004 as Exhibit 4.7 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2003)
4.11	Specimen 6.75% Series C Cumulative Redeemable Preferred Stock Certificate (previously filed on March 1, 2004 as Exhibit 3.5 to the Registrant s Form 8-A)
4.12	Specimen 6.75% Series D Cumulative Redeemable Preferred Stock Certificate (previously filed on December 8, 2004 as Exhibit 1.6 to the Registrant s Form 8-A)
10.0*	Amended and Restated 1992 Employee Stock Plan (previously filed on November 14, 1997 as Exhibit 10.45 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 1997 (and incorporated by reference herein)
10.1*	First Amendment to BRE Properties, Inc. Amended and Restated 1992 Employee Stock Plan (previously filed on November 8, 2002 as Exhibit 10.4 of the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2002)
10.2*	1992 Payroll Investment Plan (previously filed on October 19, 1992 in the Exhibits to the Registrant s Annual Report on Form 10-K and incorporated by reference herein)
10.3	Fifth Amended and Restated Non-Employee Director Stock Option and Restricted Stock Plan (previously filed on November 5, 2007 as Exhibit 10.2 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 and incorporated by reference herein)
10.4*	1999 BRE Stock Incentive Plan (previously filed on August 16, 1999 as Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated by reference herein)
10.5*	First amendment to the 1999 BRE Stock Incentive Plan (previously filed on March 12, 2001 as Exhibit 10.51 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated by reference herein)
10.6*	Second amendment to the 1999 BRE Stock Incentive Plan (previously filed on March 12, 2001 as Exhibit 10.52 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated by reference herein)
10.7*	Third Amendment to 1999 BRE Stock Incentive Plan (previously filed on November 8, 2002 as Exhibit 10.3 of the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2002)
10.8	Dividend Reinvestment Plan (previously filed on August 9, 1996 in the Registrant s Registration Statement on Form S-3 (File No. 333-09945) and incorporated by reference herein)
10.9*	BRE Properties Inc. Deferred Compensation Plan effective January 1, 2000 (previously filed on March 24, 2000 as Exhibit 10.44 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 1999, as amended by the Annual Report on Form 10-K/A filed on August 4, 2000 and incorporated by reference herein)
10.10*	Amended and Restated Employment Agreement with Edward F. Lange, Jr. dated November 20, 2006 (previously filed on November 21, 2006 as Exhibit 10.2 to the Registrant s Current Report on Form 8-K)
10.11*	Amended and Restated Employment Agreement with Bradley P. Griggs dated November 20, 2006 (previously filed on November 21, 2006 as Exhibit 10.3 to the Registrant s Current Report on Form 8-K)
10.13*	Amended and Restated Employment Agreement with Deirdre A. Kuring dated November 20, 2006 (previously filed on November 21, 2006 as Exhibit 10.4 to the Registrant s Current Report on Form 8-K)

Exhibit No.	Description
10.14*	Amended and Restated Employment agreement with Constance B. Moore dated November 20, 2006 (previously filed November 21, 2006 as Exhibit 10.1 to the Registrant s Current Report on Form 8-K)
10.15*	Form of Indemnification Agreement (previously filed on February 27, 2002 as Exhibit 10.53 to the Registrant s Annual Report on Form 10-K)
10.16	Treasury Lock Swap Transaction (previously filed on November 14,1996 as Exhibit 10.16 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 1995 and incorporated by reference herein)
10.17	Treasury rate guarantee hedge with Morgan Stanley, dated November 21, 1997 (previously filed on March 26, 1998 as Exhibit 10.36 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated by reference herein)
10.18	Master Credit Facility Agreement by and between BRE-FMCF, LLC and Prudential Multifamily Mortgage, Inc., dated May 2, 2003 (previously filed on May 15, 2003 as Exhibit 10.8 to the Registrant s Annual Report on Form 10-Q for the quarter ended March 31, 2003 and incorporated by reference herein)
10.19	First Amendment to Master Credit Facility Agreement by and between BRE-FMCF, LLC and Prudential Multifamily Mortgage, Inc., dated March 25, 2004 (previously filed on March 31, 2004 as Exhibit 10.1 to the Registrant s Current Report on Form 8-K and incorporated by reference herein)
10.20	Amended and Restated Limited Liability Company Agreement of BRE Property Investors LLC, dated as November 18, 1997 (previously filed on December 18, 1997 as Exhibit 10.1 to the Registrant s Current Report on Form 8-K and incorporated by reference herein)
10.21	Contribution Agreement dated as of September 29, 1997 between the Registrant, BRE Property Investors LLC and the TCR Signatories (previously filed on November 14, 1997 as Exhibit 10.44 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 1997 and incorporated by reference herein)
10.22	Registration Rights Agreement among the Registrant, BRE Property Investors LLC and the other signatories thereto dated November 18, 1997 (previously filed on December 3, 1997 as Exhibit 4.6 to the Registrant s Registration Statement on Form S-3 (No. 333-41433), as amended, and incorporated by reference herein)
10.23	Registration Rights Agreement between the Registrant and Legg Mason Unit Investment Trust Series 7, Legg Mason REIT Trust, December 1998 Series, dated as of December 23, 1997, (previously filed on January 27, 1998 as Exhibit 4.6 of the Registrant s Registration Statement on Form S-3 (No. 333-44997), as amended, and incorporated by reference herein)
10.24	Registration Rights Agreement, dated as of August 15, 2006, between BRE Properties, Inc. and Wachovia Capital Markets, LLC and Deutsche Bank Securities Inc. (previously filed on August 21, 2006 as Exhibit 10.1 to the Registrant s Current Report on Form 8-K and incorporated by reference herein).
10.25	Promissory Note payable by BRE Properties, Inc. to the order of Prudential Multifamily Mortgage, Inc. dated September 28, 2000 (previously filed on March 12, 2001 as Exhibit 10.55 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated by reference herein)
10.26*	Retirement Plan for Employees of BRE Properties, Inc. (previously filed on March 12, 2003 as Exhibit 10.45 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2002, as amended by the Annual Report on the Registrant s Form 10-K/A on June 12, 2003 and incorporated by reference herein)

Exhibit No.	Description
10.27*	Form of option agreement for the 1999 BRE Stock Incentive Plan (previously filed on March 16, 2005 as Exhibit 10.48 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated by reference herein)
10.28	Form of option agreement for the Fifth Amended and Restated Non-Employee Directors Stock Option and Restricted Stock Plan (previously filed on March 16, 2005 as Exhibit 10.49 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated by reference herein)
10.29*	Form of performance share award for the 1999 BRE Stock Incentive Plan (previously filed on March 16, 2005 as Exhibit 10.50 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated by reference herein)
10.30*	Form of 2005 performance share award for the 1999 BRE Stock Incentive Plan (previously filed on March 1, 2007 as Exhibit 10.45 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2006 and incorporated by reference herein)
10.31	Form of restricted stock award agreement for the Fifth Amended and Restated Non-Employee Directors Stock Option and Restricted Stock Plan (previously filed on March 16, 2005 as Exhibit 10.51 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated by reference herein)
10.32	Amended and Restated Credit Agreement by and among BRE Properties, Inc., as borrower, the lenders party thereto and each of Wachovia Capital Markets, LLC and RBS Securities Corporation, as joint lead arrangers and joint book managers, Wachovia Bank, National Association, as administrative agent, The Royal Bank of Scotland, plc, as syndication agent, and Bank of America, N.A., JPMorgan Chase Bank, N.A. and Deutsche Bank Securities, Inc., as co-documentation agents, entered into as of September 18, 2007 (previously filed on September 20, 2007 as Exhibit 10.1 to the Registrant's Current Report on Form 8-K and incorporated by reference herein).
10.33	Second Amendment to Master Credit Facility Agreement by and between BRE-FMCF, LLC and Prudential Multifamily Mortgage Inc., dated August 1, 2005 (previously filed on July 5, 2005 as Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 and incorporated by reference herein)
12	Statements re: computation of ratios
14	Code of Ethics (previously filed on March 7, 2006 as Exhibit 14 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated by reference herein)
21	Subsidiaries of the Registrant
23	Consent of Ernst & Young LLP
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Management contract, or compensatory plan or agreement.