MID AMERICA APARTMENT COMMUNITIES INC
Form 10-Q
May 05, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2011

or

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

For the transition period from to ______

Commission File Number: 1-12762

MID-AMERICA APARTMENT COMMUNITIES, INC.
(Exact name of registrant as specified in its charter)

TENNESSEE (State or other jurisdiction of incorporation or organization)	62-1543819 (I.R.S. Employer Identification No.)
6584 POPLAR AVENUE MEMPHIS, TENNESSEE (Address of principal executive offices)	38138 (Zip Code)

(901) 682-6600
(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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. þYes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes ¨ No

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

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Number of Shares Outstanding at April 22, 2011
Common Stock, $0.01 par value	36,697,716

MID-AMERICA APARTMENT COMMUNITIES, INC.

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MAA
Condensed Consolidated Balance Sheets
March 31, 2011 (Unaudited) and December 31, 2010
(Dollars in thousands, except per share data)

	March 31, 2011	December 31, 2010
Assets:		
Real estate assets:		
Land	$ 291,695	$ 288,890
Buildings and improvements	2,601,033	2,564,887
Furniture, fixtures and equipment	85,142	83,251
Capital improvements in progress	20,488	11,501
	2,998,358	2,948,529
Less accumulated depreciation	(917,126)	(889,841)
	2,081,232	2,058,688
Land held for future development	1,306	1,306
Commercial properties, net	8,395	8,141
Investments in real estate joint ventures	18,253	17,505
Real estate assets, net	2,109,186	2,085,640
Cash and cash equivalents	47,222	45,942
Restricted cash	1,377	1,514
Deferred financing costs, net	13,350	13,713
Other assets	26,506	25,133
Goodwill	4,106	4,106
Total assets	$ 2,201,747	$ 2,176,048
Liabilities and Shareholders' Equity:		
Liabilities:		
Notes payable	$ 1,451,782	$ 1,500,193
Accounts payable	2,615	1,815
Fair market value of interest rate swaps	41,443	48,936
Accrued expenses and other liabilities	72,332	73,999
Security deposits	6,553	6,693
Liabilities associated with assets held for sale	-	20
Total liabilities	1,574,725	1,631,656
Redeemable stock	3,754	3,764
Shareholders' equity:		
Common stock, $0.01 par value per share, 50,000,000 shares authorized; 36,545,130 and 34,871,399 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively (1)	365	348
Additional paid-in capital	1,230,470	1,142,023
Accumulated distributions in excess of net income	(589,191)	(575,021)
Accumulated other comprehensive losses	(41,639)	(48,847)
Total MAA shareholders' equity	600,005	518,503
Noncontrolling interest	23,263	22,125
Total equity	623,268	540,628
Total liabilities and equity	$ 2,201,747	$ 2,176,048

(1) Number of shares issued and outstanding represent total shares of common stock regardless of classification on the consolidated balance sheet. The number of shares classified as redeemable stock or liability on the consolidated balance sheet for March 31, 2011 and December 31, 2010 are 59,665 and 62,234, respectively.

See accompanying notes to consolidated financial statements.

MAA
Condensed Consolidated Statements of Operations
Three months ended March 31, 2011 and 2010
(Unaudited)
(Dollars in thousands, except per share data)

	Three months ended March 31, 2011	Three months ended March 31, 2010
Operating revenues:		
Rental revenues	$97,881	$90,308
Other property revenues	9,234	7,020
Total property revenues	107,115	97,328
Management fee income	223	136
Total operating revenues	107,338	97,464
Property operating expenses:		
Personnel	13,165	12,358
Building repairs and maintenance	3,356	3,327
Real estate taxes and insurance	12,498	11,898
Utilities	6,168	5,599
Landscaping	2,701	2,515
Other operating	7,712	5,854
Depreciation	27,741	25,080
Total property operating expenses	73,341	66,631
Acquisition expenses	219	(24)
Property management expenses	5,144	4,277
General and administrative expenses	4,610	2,811
Income from continuing operations before non-operating items	24,024	23,769
Interest and other non-property income	235	315
Interest expense	(13,990)	(13,891)
Amortization of deferred financing costs	(715)	(595)
Net casualty (loss) gains and other settlement proceeds	(148)	156
Loss on sale of non-depreciable assets	(6)	-
Gain on properties contributed to joint ventures	-	371
Income from continuing operations before loss from real estate joint ventures	9,400	10,125
Loss from real estate joint ventures	(245)	(276)
Consolidated net income	9,155	9,849
Net income attributable to noncontrolling interests	311	437
Net income attributable to MAA	8,844	9,412
Preferred dividend distributions	-	3,216
Net income available for common shareholders	$8,844	$6,196
Earnings per common share - basic:		
Income from continuing operations available for common shareholders	$0.25	$0.21
Discontinued property operations	-	-
Net income available for common shareholders	$0.25	$0.21
Earnings per share - diluted:		
Income from continuing operations available for common shareholders	$0.24	$0.21

Discontinued property operations	-	-
Net income available for common shareholders	$0.24	$0.21
Dividends declared per common share	$0.6275	$0.6150

See accompanying notes to consolidated financial statements.

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MAA
Condensed Consolidated Statements of Cash Flows
Three Months Ended March 31, 2011 and 2010
(Unaudited)
(Dollars in thousands)

	2011	2010
Cash flows from operating activities:		
Consolidated net income	$9,155	$9,849
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of deferred financing costs	28,456	25,675
Stock compensation expense	844	348
Redeemable stock issued	97	92
Amortization of debt premium	(90)	(90)
Loss from investments in real estate joint ventures	245	276
Derivative interest expense	47	140
Loss on sale of non-depreciable assets	6	-
Net casualty loss (gains) and other settlement proceeds	148	(156)
Gain on properties contributed to joint ventures	-	(371)
Changes in assets and liabilities:		
Restricted cash	137	(283)
Other assets	(1,470)	(734)
Accounts payable	789	(559)
Accrued expenses and other	(6,922)	(9,108)
Security deposits	(140)	54
Net cash provided by operating activities	31,302	25,133
Cash flows from investing activities:		
Purchases of real estate and other assets	(30,000)	(100)
Improvements to existing real estate assets	(10,295)	(8,255)
Renovations to existing real estate assets	(2,416)	(1,417)
Development	(3,569)	-
Distributions from real estate joint ventures	362	159
Contributions to real estate joint ventures	(1,369)	(5,894)
Proceeds from disposition of real estate assets	-	47,007
Net cash (used in) provided by investing activities	(47,287)	31,500
Cash flows from financing activities:		
Net change in credit lines	(70,000)	(60,000)
Proceeds from notes payable	22,350	19,500
Principal payments on notes payable	(671)	(273)
Payment of deferred financing costs	(420)	(4,381)
Repurchase of common stock	(1,939)	(506)
Proceeds from issuances of common shares	91,443	30,106
Distributions to noncontrolling interests	(1,422)	(1,467)
Dividends paid on common shares	(22,076)	(17,886)
Dividends paid on preferred shares	-	(3,216)
Net cash provided by (used in) financing activities	17,265	(38,123)
Net increase in cash and cash equivalents	1,280	18,510
Cash and cash equivalents, beginning of period	45,942	13,819

Cash and cash equivalents, end of period	$47,222	$32,329
Supplemental disclosure of cash flow information:		
Interest paid	$13,518	$14,186
Supplemental disclosure of noncash investing and financing activities:		
Conversion of units to shares of common stock	$2,071	$-
Accrued construction in progress	$7,467	$5,451
Interest capitalized	$167	$-
Marked-to-market adjustment on derivative instruments	$7,414	$(3,570)
Reclassification of redeemable stock to liabilities	$151	$273

See accompanying notes to consolidated financial statements.

Mid-America Apartment Communities, Inc.
Notes to Condensed Consolidated Financial Statements
March 31, 2011 and 2010
(Unaudited)

1. Consolidation and Basis of Presentation and Significant Accounting Policies

Consolidation and Basis of Presentation

Mid-America Apartment Communities, Inc., or we, or MAA, is a self-administered real estate investment trust, or REIT, that owns, acquires, renovates, develops and manages apartment communities in the Sunbelt region of the United States. As of March 31, 2011, we owned or owned interests in a total of 159 multifamily apartment communities comprising 46,950 apartments located in 13 states, including two communities comprising 626 apartments owned through our joint venture, Mid-America Multifamily Fund I, LLC, and five communities comprising 1,635 apartments owned through our joint venture, Mid-America Multifamily Fund II, LLC. In addition, we also had one development community and a second phase to an existing community under construction totaling 638 units as of March 31, 2011. No units for the development projects were completed as of March 31, 2011 and they are therefore not included in the totals above.

The accompanying unaudited condensed consolidated financial statements have been prepared by our management in accordance with U.S. generally accepted accounting principles, or GAAP, for interim financial information and applicable rules and regulations of the Securities and Exchange Commission, or the SEC, and our accounting policies as set forth in our December 31, 2010 annual consolidated financial statements. The accompanying unaudited condensed consolidated financial statements include the accounts of MAA and its subsidiaries, including Mid-America Apartments, L.P. In our opinion, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included and all such adjustments were of a normal recurring nature. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the three month period ended March 31, 2011 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K filed with the SEC on February 24, 2011.

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the dates of the financial statements and the amounts of revenues and expenses during the reporting periods. Actual amounts realized or paid could differ from those estimates.

Earnings per Common Share

Basic earnings per share is computed by dividing net income attributable to common stockholders by the weighted average number of shares outstanding during the period. All outstanding unvested restricted share awards contain rights to non-forfeitable dividends and participate in undistributed earnings with common shareholders and, accordingly, are considered participating securities that are included in the two class method of computing basic earnings per share. Both the unvested restricted shares and other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis with our diluted earnings per share being the more dilutive of the treasury stock or two class methods. Operating partnership units are included in dilutive earnings per share calculations when they are dilutive to earnings per share. For the three month periods ended March 31, 2011 and 2010, our basic earnings per share is computed using the two class method and our diluted earnings per share is computed using the treasury stock method as follows:

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	For the three months ended March 31, 2011		For the three months ended March 31, 2010	
Shares Outstanding				
Weighted average common shares - basic		35,706,334		29,129,793
Weighted average partnership units outstanding		2,100,566		- (1)
Effect of dilutive securities		97,222		73,880
Weighted average common shares - diluted		37,904,122		29,203,673
Calculation of Earnings per Share - basic				
Net income available for common shareholders	$	8,844,154	$	6,196,410
Net income allocated to unvested restricted shares		(9,378)		(28,706)
Net income available for common shareholders, adjusted	$	8,834,776	$	6,167,704
Weighted average common shares - basic		35,706,334		29,129,793
Earnings per share - basic	$	0.25	$	0.21
Calculation of Earnings per Share - diluted				
Net income available for common shareholders	$	8,844,154	$	6,196,410
Net income attributable to noncontrolling interests		310,916		- (1)
Adjusted net income available for common shareholders	$	9,155,070	$	6,196,410
Weighted average common shares - diluted		37,904,122		29,203,673
Earnings per share - diluted	$	0.24	$	0.21

(1) Operating partnership units are not included in dilutive earnings per share calculations for the three months ended March 31, 2010, as they were not dilutive

2. Segment Information

As of March 31, 2011, we owned or had an ownership interest in 159 multifamily apartment communities in 13 different states from which we derived all significant sources of earnings and operating cash flows. Senior management evaluates performance and determines resource allocations by reviewing apartment communities individually and in the following reportable operating segments:

- Large market same store communities are generally communities in markets with a population of at least 1 million that we have owned and have been stabilized for at least a full 12 months and have not been classified as held for sale.

- Secondary market same store communities are generally communities in markets with populations of less than 1 million that we have owned and have been stabilized for at least a full 12 months and have not been classified as held for sale.

- Non same store communities and other includes recent acquisitions, communities in development or lease-up, communities that have been classified as held for sale and non multifamily activities, which represent less than 1% of our portfolio.

On the first day of each calendar year, we determine the composition of our same store operating segments for that year, which allows us to evaluate full period-over-period operating comparisons. We utilize net operating income, or

NOI, in evaluating the performance. Total NOI represents total property revenues less total property operating expenses, excluding depreciation, for all properties held during the period regardless of their status as held for sale. We believe NOI is a helpful tool in evaluating the operating performance of our segments because it measures the core operations of property performance by excluding corporate level expenses and other items not related to property operating performance.

Revenues and NOI for each reportable segment for the three month periods ended March 31, 2011 and 2010, were as follows (dollars in thousands):

	Three months ended March 31, 2011	Three months ended March 31, 2010
Revenues		
Large Market Same Store	$ 49,905	$ 48,185
Secondary Market Same Store	46,236	44,236
Non-Same Store and Other	10,974	4,907
Total property revenues	107,115	97,328
Management fee income	223	136
Total operating revenues	$ 107,338	$ 97,464
NOI		
Large Market Same Store	$ 28,662	$ 27,408
Secondary Market Same Store	27,167	25,830
Non-Same Store and Other	5,686	2,539
Total NOI	61,515	55,777
Management fee income	223	136
Depreciation	(27,741)	(25,080)
Acquisition expense	(219)	24
Property management expense	(5,144)	(4,277)
General and administrative expense	(4,610)	(2,811)
Interest and other non-property income	235	315
Interest expense	(13,990)	(13,891)
Amortization of deferred financing costs	(715)	(595)
Net casualty gains (loss) and other settlement proceeds	(148)	156
Loss on sale of non-depreciable assets	(6)	-
Gain on properties contributed to joint ventures	-	371
Loss from real estate joint ventures	(245)	(276)
Net income attributable to noncontrolling interests	(311)	(437)
Net income attributable to MAA	$ 8,844	$ 9,412

Assets for each reportable segment as of March 31, 2011 and December 31, 2010, were as follows (dollars in thousands):

	March 31, 2011	December 31, 2010
Assets		
Large Market Same Store	$ 1,036,535	$ 1,044,321
Secondary Market Same Store	677,503	683,389
Non-Same Store and Other	397,840	359,606
Corporate assets	89,869	88,732
Total assets	$ 2,201,747	$ 2,176,048

3. Comprehensive Income and Equity

Total comprehensive income, equity and their components for the three month periods ended March 31, 2011, and 2010, were as follows (dollars in thousands, except per share and per unit data):

	MAA Shareholders						
	Preferred Stock Amount	Common Stock Amount	Additional Paid-In Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity
EQUITY BALANCE DECEMBER 31, 2009	$ 62	$ 290	$ 988,642	$ (510,993)	$ (47,435)	$ 22,660	$ 453,226
Comprehensive income:							
Net income	-	-	-	9,412	-	437	9,849
Other comprehensive income - derivative instruments (cash flow hedges)	-	-	-	-	(3,278)	(152)	(3,430)
Comprehensive income	-	-	-	-	-	-	6,419
Issuance and registration of common shares	-	6	30,092	-	-	-	30,098
Shares repurchased and retired	-	-	(506)	-	-	-	(506)
Exercise of stock options	-	-	12	-	-	-	12
Shares issued in exchange for units	-	-	35	-	-	(35)	-
Shares reclassified to liabilities	-	-	(4)	-	-	-	(4)
Redeemable stock fair market value	-	-	-	(180)	-	-	(180)
	-	-	(1,452)	-	-	1,452	-

Adjustment for Noncontrolling Interest Ownership in operating partnership							
Amortization of unearned compensation	-	-	344	-	-	-	344
Dividends on common stock ($0.6150 per share)	-	-	-	(18,321)	-	-	(18,321)
Dividends on noncontrolling interest units ($0.6150 per unit)	-	-	-	-	-	(1,465)	(1,465)
Dividends on preferred stock	-	-	-	(3,216)	-	-	(3,216)
EQUITY BALANCE MARCH 31, 2010	$ 62	$ 296	$ 1,017,163	$ (523,298)	$ (50,713)	$ 22,897	$ 466,407

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	MAA Shareholders						
	Preferred Stock Amount	Common Stock Amount	Additional Paid-In Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity
EQUITY BALANCE DECEMBER 31, 2010	$ -	$ 348	$ 1,142,023	$ (575,021)	$ (48,847)	$ 22,125	$ 540,628
Comprehensive income:							
Net income	-	-	-	8,844	-	311	9,155
Other comprehensive income - derivative instruments (cash flow hedges)	-	-	-	-	7,208	253	7,461
Comprehensive income	-	-	-	-	-	-	16,616
Issuance and registration of common shares	-	15	91,403	-	-	-	91,418
Shares repurchased and retired	-	-	(1,939)	-	-	-	(1,939)
Exercise of stock options	-	-	26	-	-	-	26
Shares issued in exchange for units	-	2	2,069	-	-	(2,071)	-
Shares reclassified to liabilities	-	-	(1)	-	-	-	(1)
Redeemable stock fair market value	-	-	-	(43)	-	-	(43)
Adjustment for Noncontrolling Interest Ownership in operating partnership	-	-	(3,955)	-	-	3,955	-
Amortization of unearned compensation	-	-	844	-	-	-	844
Dividends on common stock ($0.6275 per share)	-	-	-	(22,971)	-	-	(22,971)
Dividends on noncontrolling interest units ($0.6275 per unit)	-	-	-	-	-	(1,310)	(1,310)
EQUITY BALANCE MARCH 31, 2011	$ -	$ 365	$ 1,230,470	$ (589,191)	$ (41,639)	$ 23,263	$ 623,268

The marked-to-market adjustment on derivative instruments is based upon the change of interest rates available for derivative instruments with similar terms and remaining maturities existing at each balance sheet date.

4. Real Estate Acquisitions

The following communities were purchased during the quarter ended March 31, 2011:

Community	Location (Metropolitan Statistical Area (MSA))	Number of Units	Date Purchased
100% Owned Communities			
Alamo Ranch	Bexar County, TX (San Antonio)	340	January 12, 2011
Joint Venture Owned Communities			
Verandas at SouthWood	Tallahassee, FL	300	March 29, 2011

The acquisition of Alamo Ranch and MAA's share of the net purchase price of Verandas at SouthWood were funded by common stock issuances through MAA's at-the-market program.

5. Share and Unit Information

On March 31, 2011, 36,545,130 common shares and 2,013,393 operating partnership units were outstanding, representing a total of 38,558,523 shares and units. Additionally, we had outstanding options for the purchase of 14,907 shares of common stock at March 31, 2011, of which 6,115 were anti-dilutive. At March 31, 2010, 29,684,303 common shares and 2,302,504 operating partnership units were outstanding, representing a total of 31,986,807 shares and units. Additionally, MAA had outstanding options for the purchase of 22,382 shares of common stock at March 31, 2010, of which 11,369 were anti-dilutive.

On November 3, 2006, we entered into a sales agreement with Cantor Fitzgerald & Co. to sell up to 2,000,000 shares of our common stock, from time to time in at-the-market, or ATM, offerings or negotiated transactions through a controlled equity offering program. On July 3, 2008, and November 5, 2009, we entered into second and third sales agreements with Cantor Fitzgerald & Co. with materially the same terms for an additional 1,350,000 shares and 4,000,000 shares, respectively. On August 26, 2010, we entered into sales agreements with Cantor Fitzgerald & Co., Raymond James & Associates, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated with materially the same terms as our previous at-the-market agreements for a combined total of 6,000,000 shares of our common stock.

During the three months ended March 31, 2011, we issued 993,799 shares of common stock through our at-the-market, or ATM, programs for net proceeds of $61.2 million. During the three months ended March 31, 2010, we issued a total of 571,000 shares of common stock through our ATM programs for net proceeds of $29.9 million.

During the three months ended March 31, 2011, we issued 495,007 shares of common stock through the optional cash purchase feature of our Dividend and Distribution Reinvestment and Share Purchase Program, or DRSPP. The issuance resulted in net proceeds of $30.0 million. No such issuances were made during the three months ended March 31, 2010.

During the three months ended March 31, 2011, 25,082 shares of MAA's common stock were acquired from employees to satisfy tax withholding obligations that arose upon vesting of restricted stock granted pursuant to approved plans.

6. Notes Payable

On March 31, 2011, we had total indebtedness of $1.5 billion, compared to $1.5 billion as of December 31, 2010. Our indebtedness as of March 31, 2011 consisted of both conventional and tax exempt debt. Borrowings were made through individual property mortgages as well as company-wide secured credit facilities.

As of March 31, 2011, approximately 83% of our outstanding debt was borrowed through secured credit facility relationships with Prudential Mortgage Capital, which are credit enhanced by the Federal National Mortgage Association, or FNMA, Financial Federal, which are credit enhanced by the Federal Home Loan Mortgage Corporation, or Freddie Mac, and a $50 million bank facility with a syndicate of banks.

We utilize interest rate swaps and interest rate caps to help manage our current and future interest rate risk and entered into 30 interest rate swaps and 21 interest rate caps as of March 31, 2011, representing notional amounts of $735 million and $271 million, respectively.

The following table summarizes our debt structure as of March 31, 2011 (dollars in thousands):

		Borrowed Balance	Effective Rate		Contract Maturity
Fixed Rate Debt					
Individual property mortgages	$	227,607	4.9	%	12/20/2019
Tax-exempt		10,895	5.3	%	12/1/2028
FNMA conventional credit facilities		50,000	4.7	%	3/31/2017
Credit facility balances managed with interest rate swaps					
LIBOR-based interest rate swaps		717,000	5.3	%	2/24/2013
SIFMA-based interest rate swaps		17,800	4.4	%	10/15/2012
Total fixed rate debt		1,023,302	5.1	%	1/11/2015
Variable Rate Debt (1)					
FNMA conventional credit facilities		259,318	0.8	%	6/23/2014
FNMA tax-free credit facilities		72,715	1.1	%	3/1/2014
Feddie Mac credit facilities		81,247	0.8	%	6/28/2013
Freddie Mac mortgage		15,200	3.6	%	12/10/2015
Total variable rate debt		428,480	1.0	%	4/16/2014
Total Outstanding Debt	$	1,451,782	3.9	%	10/23/2014

(1) Includes capped balances.

7. Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

We are exposed to certain risk arising from both our business operations and economic conditions. We principally manage our exposures to a wide variety of business and operational risks through management of our core business activities. We manage economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of our debt funding and the use of derivative financial instruments. Specifically, we enter into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future contractual and forecasted cash amounts, principally related to our borrowings, the value of which are determined by changing interest rates.

Cash Flow Hedges of Interest Rate Risk

Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements. To accomplish this objective, we use interest rate swaps and interest rate caps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for us making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up front premium.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the three months ended March 31, 2011 and 2010, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three months ended March 31, 2011 and 2010, we recorded ineffectiveness of $5,000 (decrease to interest expense) and $105,000 (increase to interest expense), respectively, attributable to a mismatch in the underlying indices of the derivatives and the hedged interest payments made on our variable-rate debt.

During the three months ended March 31, 2011, we also had eight interest rate caps with a total a notional amount of $51.2 million, (two of these caps with a collective notional of $19.5 million matured during the first quarter of 2011), where only the changes in intrinsic value are recorded in accumulated other comprehensive income. Changes in fair value of these interest rate caps due to changes in time value (e.g. volatility, passage of time, etc.) are excluded from effectiveness testing and are recognized directly in earnings. During the three months ended March 31, 2011 and 2010, we recorded a loss of $3,000 and $31,000, respectively, due to changes in the time value of these interest rate caps.

Amounts reported in accumulated other comprehensive income related to derivatives designated in qualifying cash flow hedges will be reclassified to interest expense as interest payments are made on our variable-rate debt. During the next twelve months, we estimate that an additional $24.8 million will be reclassified to earnings as an increase to interest expense, which primarily represents the difference between our fixed interest rate swap payments and the projected variable interest rate swap payments.

As of March 31, 2011, we had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivative	Number of Instruments	Notional

Interest Rate Caps	21	$ 270,651,000
Interest Rate Swaps	30	$ 734,800,000

Non-designated Hedges

We do not use derivatives for trading or speculative purposes and currently do not have any derivatives that are not designated as qualifying accounting hedges under ASC 815.

Tabular Disclosure of Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the fair value of our derivative financial instruments as well as their classification on the Consolidated Balance Sheet as of March 31, 2011 and December 31, 2010, respectively:

Fair Values of Derivative Instruments on the Condensed Consolidated Balance Sheet as of March 31, 2011 and December 31, 2010 (dollars in thousands)

	Asset Derivatives			Liability Derivative		
		31-Mar-11	31-Dec-10		31-Mar-11	31-Dec-10
Derivatives designated as hedging instruments	Balance Sheet Location	Fair Value	Fair Value	Balance Sheet Location	Fair Value	Fair Value
Interest rate contracts	Other assets	$ 3,630	$ 3,641	Fair market value of interest rate swaps	$ 41,443	$ 48,936
Total derivatives designated as hedging instruments		$ 3,630	$ 3,641		$ 41,443	$ 48,936

Tabular Disclosure of the Effect of Derivative Instruments on the Statement of Operations

The tables below present the effect of our derivative financial instruments on the Consolidated Statement of Operations for the three months ended March 31, 2011 and 2010, respectively.

Effect of Derivative Instruments on the Consolidated Statement of Operations for the Three Months Ended March 31, 2011 and 2010 (dollars in thousands)

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Location of Gain or (Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	2011	2010		2011	2010		2011	2010
Three months ended March 31,								
Interest rate contracts	$(176)	$(12,833)	Interest expense	$(7,637)	$(9,402)	Interest expense	$2	$(136)

Total derivatives in cash flow hedging relationships	$(176)	$(12,833)	$(7,637)	$(9,402)	$2	$(136)

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Credit-risk-related Contingent Features

As of March 31, 2011, derivatives that were in a net liability position and subject to credit-risk-related contingent features had a termination value of $46.1 million, which includes accrued interest but excludes any adjustment for nonperformance risk. These derivatives had a fair value, gross of asset positions, of $41.4 million at March 31, 2011.

Certain of our derivative contracts contain a provision where if we default on any of our indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then we could also be declared in default on our derivative obligations. As of March 31, 2011, we had not breached the provisions of these agreements. If we had breached these provisions, we could have been required to settle our obligations under the agreements at their termination value of $16.9 million.

Certain of our derivative contracts are credit enhanced by either FNMA or Freddie Mac. These derivative contracts require that our credit enhancing party maintain credit ratings above a certain level. If our credit support providers were downgraded below Baa1 by Moody's or BBB+ by Standard & Poor's, or S&P, we may be required to either post 100 percent collateral or settle the obligations at their termination value of $46.1 million as of March 31, 2011. Both FNMA and Freddie Mac are currently rated Aaa by Moody's and AAA by S&P, and therefore, the provisions of this agreement have not been breached and no collateral has been posted related to these agreements as of March 31, 2011.

Although our derivative contracts are subject to master netting arrangements, which serve as credit mitigants to both us and our counterparties under certain situations, we do not net our derivative fair values or any existing rights or obligations to cash collateral on the consolidated balance sheet.

See also Note 8.

8. Fair Value Disclosure of Financial Instruments

Cash and cash equivalents, restricted cash, accounts payable, accrued expenses and other liabilities and security deposits are carried at amounts that reasonably approximate their fair value due to their short term nature.

Fixed rate notes payable at March 31, 2011 and December 31, 2010, totaled $289 million and $267 million, respectively, and had estimated fair values of $256 million and $238 million (excluding prepayment penalties), respectively, based upon interest rates available for the issuance of debt with similar terms and remaining maturities as of March 31, 2011 and December 31, 2010. The carrying value of variable rate notes payable (excluding the effect of interest rate swap and cap agreements) at March 31, 2011 and December 31, 2010, totaled $1,163 million and $1,233 million, respectively, and had estimated fair values of $1,096 million and $1,151 million (excluding prepayment penalties), respectively, based upon interest rates available for the issuance of debt with similar terms and remaining maturities as of March 31, 2011 and December 31, 2010.

On January 1, 2008, we adopted FASB ASC 820 Fair Value Measurements and Disclosures, or ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Derivative financial instruments

Currently, we use interest rate swaps and interest rate caps (options) to manage our interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

The fair values of interest rate options are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the caps. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities.

To comply with the provisions of ASC 820, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by ourself and our counterparties. In prior periods, we classified our derivative valuations within the Level 3 fair value hierarchy because those valuations contain certain Level 3 inputs (e.g. credit spreads). Commencing with the year ended December 31, 2010, we determined that the significance of the impact of the credit valuation adjustments made to our derivative contracts, which determination was based on the fair value of each individual contract, was not significant to the overall valuation. As a result, all of our derivatives held as of March 31, 2011 and December 31, 2010 were classified as Level 2 of the fair value hierarchy.

The table below presents our assets and liabilities measured at fair value on a recurring basis as of March 31, 2011 and December 31, 2010, aggregated by the level in the fair value hierarchy within which those measurements fall.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at March 31, 2011
(dollars in thousands)

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2011
Assets				
Derivative financial instruments	$ —	$ 3,630	$ —	$ 3,630
Liabilities				
Derivative financial instruments	$ —	$ 41,443	$ —	$ 41,443

Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2010
(dollars in thousands)

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2010
Assets				
Derivative financial instruments	$ —	$ 3,641	$ —	$ 3,641
Liabilities				
Derivative financial instruments	$ —	$ 48,936	$ —	$ 48,936

The fair value estimates presented herein are based on information available to management as of March 31, 2011 and December 31, 2010. These estimates are not necessarily indicative of the amounts we could ultimately realize. See also Note 7.

9. Recent Accounting Pronouncements

Impact of Recently Issued Accounting Standards

In June 2008, the FASB issued ASC 810-10-05, Amendments to FASB Interpretation No. 46(R), or ASC 810-10-05, which amends events that would require reconsidering whether an entity is a variable interest entity; it amends the criteria used to determine the primary beneficiary of a variable interest entity; and it expands disclosures about an enterprise's involvement in variable interest entities. ASC 810-10-05 is effective for annual reporting periods beginning after November 15, 2009 and earlier application is prohibited. We adopted ASC 810-10-05 effective January 1, 2010. The adoption did not have a material impact on our consolidated financial condition or results of operations taken as a whole.

10. Subsequent Events

Real Estate Acquisitions

On April 20, 2011, we purchased The Retreat at Magnolia Parke, a 204-unit apartment community located in Gainesville, Florida.

On April 29, 2011, we purchased Atlantic Crossing, a 200-unit apartment Community located in Jacksonville, Florida.

On May 4, 2011, we purchased a 25.98-acre parcel of land in Little Rock, Arkansas and entered into an agreement with a third party to develop a 312-unit apartment community on the site.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the condensed consolidated financial statements and notes appearing elsewhere in this report. Historical results and trends that might appear in the condensed consolidated financial statements should not be interpreted as being indicative of future operations.

Forward Looking Statements

We consider this and other sections of this Quarterly Report on Form 10-Q to contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, with respect to our expectations for future periods. Forward looking statements do not discuss historical fact, but instead include statements related to expectations, projections, intentions or other items related to the future. Such forward-looking statements include, without limitation, statements concerning property acquisitions and dispositions, development and renovation activity as well as other capital expenditures, capital raising activities, rent growth, occupancy and rental expense growth. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estima and variations of such words and similar expressions are intended to identify such forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from the results of operations or plans expressed or implied by such forward-looking statements. Such factors include, among other things, unanticipated adverse business developments affecting us, or our properties, adverse changes in the real estate markets and general and local economies and business conditions. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore such forward-looking statements included in this report may not prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved.

The following factors, among others, could cause our future results to differ materially from those expressed in the forward-looking statements:

- inability to generate sufficient cash flows due to market conditions, changes in supply and/or demand, competition, uninsured losses, changes in tax and housing laws, or other factors;
- inability to acquire funding through the capital markets;
- the availability of credit, including mortgage financing, and the liquidity of the debt markets, including a material deterioration of the financial condition of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation;
-

inability to replace financing with the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation should their investment in the multifamily industry shrink or cease to exist;

- failure of new acquisitions to achieve anticipated results or be efficiently integrated into us;
- failure of development communities to be completed, if at all, on a timely basis or to lease-up as anticipated;
- inability of a joint venture to perform as expected;

- inability to acquire additional or dispose of existing apartment units on favorable economic terms;
- unexpected capital needs;
- increasing real estate taxes and insurance costs;
- losses from catastrophes in excess of our insurance coverage;
- changes in interest rate levels, including that of variable rate debt, such as extensively used by us;
- loss of hedge accounting treatment for interest rate swaps and interest rate caps;
- the continuation of the good credit of our interest rate swap and cap providers;
- inability to meet loan covenants;
- significant decline in market value of real estate serving as collateral for mortgage obligations;
- inability to pay required distributions to maintain REIT status;
- imposition of federal taxes if we fail to qualify as a REIT under the Internal Revenue Code in any taxable year or foregone opportunities to ensure REIT status;
- inability to attract and retain qualified personnel;
- potential liability for environmental contamination;
- adverse legislative or regulatory tax changes; and
- litigation and compliance costs associated with laws requiring access for disabled persons.

Critical Accounting Policies and Estimates

The following discussion and analysis of financial condition and results of operations are based upon our condensed consolidated financial statements, and the notes thereto, which have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make a number of estimates and assumptions that affect the reported amounts and disclosures in the condensed consolidated financial statements. On an ongoing basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. We believe that our estimates and assumptions are reasonable under the circumstances; however, actual results may differ from these estimates and assumptions.

We believe that the estimates and assumptions listed below are most important to the portrayal of our financial condition and results of operations because they require the greatest subjective determinations and form the basis of accounting policies deemed to be most critical. These critical accounting policies include revenue recognition, capitalization of expenditures and depreciation of assets, impairment of long-lived assets, including goodwill and fair value of derivative financial instruments.

Revenue Recognition

We lease multifamily residential apartments under operating leases primarily with terms of one year or less. Rental revenues are recognized using a method that represents a straight-line basis over the term of the lease and other revenues are recorded when earned.

We record all gains and losses on real estate in accordance with accounting standards governing the sale of real estate.

Capitalization of expenditures and depreciation of assets

We carry real estate assets at depreciated cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets, which range from 8 to 40 years for land improvements and buildings, 5 years for furniture, fixtures, and equipment, 3 to 5 years for computers and software, and 6 months for acquired leases, all of which are subjective determinations. Repairs and maintenance costs are expensed as incurred while significant improvements, renovations and replacements are capitalized. The cost to complete any deferred repairs and maintenance at properties acquired by us in order to elevate the condition of the property to our standards are capitalized as incurred.

Development costs are capitalized in accordance with accounting standards for costs and initial rental operations of real estate projects and standards for the capitalization of interest cost.

Impairment of long-lived assets, including goodwill

We account for long-lived assets in accordance with the provisions of accounting standards for the impairment or disposal on long-lived assets and evaluate our goodwill for impairment under accounting standards for goodwill and other intangible assets. We evaluate goodwill for impairment on at least an annual basis, or more frequently if a goodwill impairment indicator is identified. We periodically evaluate long-lived assets, including investments in real estate and goodwill, for indicators that would suggest that the carrying amount of the assets may not be recoverable. The judgments regarding the existence of such indicators are based on factors such as operating performance, market conditions and legal factors.

Long-lived assets, such as real estate assets, equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented on the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

Goodwill is tested annually for impairment, and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss for goodwill is recognized to the extent that the carrying amount exceeds the asset’s fair value. This determination is made at the reporting unit level and consists of two steps. First, we determine the fair value of a reporting unit and compare it to its carrying amount. In the apartment industry, the primary method used for determining fair value is to divide annual operating cash flows by an appropriate capitalization rate. We determine the appropriate capitalization rate by reviewing the prevailing rates in a property’s market or submarket. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit’s goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation in accordance accounting standards for business combinations. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

Fair value of derivative financial instruments

We utilize certain derivative financial instruments, primarily interest rate swaps and interest rate caps, during the normal course of business to manage, or hedge, the interest rate risk associated with our variable rate debt or as hedges in anticipation of future debt transactions to manage well-defined interest rate risk associated with the transaction.

In order for a derivative contract to be designated as a hedging instrument, changes in the hedging instrument must be highly effective at offsetting changes in the hedged item. The historical correlation of the hedging instruments and the underlying hedged items are assessed before entering into the hedging relationship and on a quarterly basis thereafter, and have been found to be highly effective.

We measure ineffectiveness using the change in the variable cash flows method for interest rate swaps and the hypothetical derivative method for interest rate caps for each reporting period through the term of the hedging instruments. Any amounts determined to be ineffective are recorded in earnings. The change in fair value of the interest rate swaps and the intrinsic value or fair value of interest rate caps designated as cash flow hedges are recorded to accumulated other comprehensive income in the statement of shareholders’ equity.

The valuation of our derivative financial instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The fair values of interest rate caps are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the interest rate caps. The variable interest rates used in the calculation of projected receipts on the interest rate cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. Additionally, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. Changes in the fair values of our derivatives are primarily the result of fluctuations in interest rates. See Notes 7 and 8 of the accompanying Condensed Consolidated Financial Statements.

Overview of the Three Months Ended March 31, 2011

We experienced an increase in income from continuing operations before non-operating items for the three months ended March 31, 2011 over the three months ended March 31, 2010 as increases in revenues outpaced increases in property operating expenses. The increases in revenues came from a 4.5% increase in our secondary market same store segment, a 3.6% increase in our large market same store segment and a 123.6% increase in our non-same store and other segment which was primarily a result of acquisitions. We acquired one property for our 100% owned portfolio and one property through Fund II during the three months ended March 31, 2011. Our same store portfolio represents those communities that have been held and have been stabilized for at least 12 months. Communities excluded from the same store portfolio would include recent acquisitions, communities being developed or in lease-up, communities undergoing extensive renovations, and communities identified as discontinued operations.

We continued to benefit from reduced interest rates during the three months ended March 31, 2011 as a reduction in average interest rates partially offset the impact from an increase in the average amount of debt outstanding for the three months ended March 31, 2011 from the three months ended March 31, 2010.

As of March 31, 2011, the total number of apartment units that MAA owned 100% was 44,689 in 152 communities, compared to 42,206 apartment units in 143 communities at March 31, 2010. For these communities, the average rent per apartment unit, excluding units in lease-up, increased to $749 at March 31, 2011 from $731 at March 31, 2010. For these same units, overall occupancy at March 31, 2011 and 2010 was 95.9% and 96.6%, respectively. Average rent per unit is equal to the average of gross rent amounts for occupied units plus prevalent market rates asked for unoccupied units, divided by the total number of units.

The following is a discussion of our consolidated financial condition and results of operations for the three months ended March 31, 2011 and 2010. This discussion should be read in conjunction with all of the consolidated financial statements included in this Periodic Report on Form 10-Q.

Results of Operations

Comparison of the Three Months Ended March 31, 2011 to the Three Months Ended March 31, 2010

Property revenues for the three months ended March 31, 2011 were approximately $107.1 million, an increase of approximately $9.8 million from the three months ended March 31, 2010 due to (i) a $1.7 million increase in property revenues from our large market same store group primarily as a result in an increase in average rent per unit, (ii) a $2.0 million increase in property revenues from our secondary market same store group primarily as a result in an increase in average rent per unit and (iii) a $6.1 million increase in property revenues from our non-same store and other group, mainly as a result of acquisitions.

Property operating expenses include costs for property personnel, property personnel bonuses, building repairs and maintenance, real estate taxes and insurance, utilities, landscaping and depreciation. Property operating expenses, excluding depreciation, for the three months ended March 31, 2011 were approximately $45.6 million, an increase of approximately $4.0 million from the three months ended March 31, 2010 due primarily to increases in property operating expenses of (i) $0.5 million from our large market same store group, (ii) $0.6 million from our secondary market same store group, and (iii) $2.9 million from our non-same store and other group, mainly as a result of acquisitions.

Depreciation expense for the three months ended March 31, 2011 was approximately $27.7 million, an increase of approximately $2.7 million from the three months ended March 31, 2010 primarily due to the increases in depreciation expense of (i) $0.1 million from our large market same store group, (ii) $0.1 million from our secondary market same store group, and (iii) $2.5 million from our non-same store and other group, mainly as a result of acquisitions. Increases of depreciation expense from our large and secondary market same store groups resulted from asset additions made during the normal course of business.

Interest expense for the three months ended March 31, 2011 was approximately $14.0 million, an increase of approximately $0.1 million from the three months ended March 31, 2010 as a decrease in our average cost of debt from 4.06% for the three months ended March 31, 2010 to 3.83% for the three months ended March 31, 2011 was more than offset by an increase in our average debt outstanding from the three months ended March 31, 2010 to the three months ended March 31, 2011 of approximately $108.5 million.

Acquisition expenses increased by approximately $0.2 for the three months ended March 31, 2011 during which we acquired two communities from the three months ended March 31, 2010. No communities were acquired during the three months ended March 31, 2010.

Property management expenses and general and administrative expenses increased for the three months ended March 31, 2011 from the three months ended March 31, 2010 by $0.9 million and $1.8 million, respectively, partially as a result of increased associate incentives as a result of improved performance.

During the three months ended March 31, 2010, we contributed a community to one of our joint ventures which resulted in a gain of approximately $0.4 million.

Primarily as a result of the foregoing, net income attributable to MAA decreased by approximately $0.6 million in the three months ended March 31, 2011 from the three months ended March 31, 2010.

On June 2, 2010, we redeemed 3,100,001 shares of the 6,200,000 shares of our 8.30% Series H Cumulative Redeemable Preferred Stock, or Series H. On August 5, 2010, we redeemed all of the remaining and outstanding shares of Series H, resulting in the decrease of preferred dividends from $3.2 million for the three months ended March 31, 2010 to $0 for the three months ended March 31, 2011.

Funds From Operations and Net Income

Funds from operations, or FFO, represents net income attributable to MAA (computed in accordance with GAAP), excluding extraordinary items, gains or losses on disposition of real estate assets, plus depreciation of real estate, and adjustments for joint ventures to reflect FFO on the same basis. This definition of FFO is in accordance with the National Association of Real Estate Investment Trust's, or NAREIT, definition. Disposition of real estate assets includes sales of discontinued operations as well as proceeds received from insurance and other settlements from property damage.

In response to SEC's Staff Policy Statement relating to Emerging Issues Task Force Topic D-42 concerning the calculation of earnings per share for the redemption of preferred stock, we include the amount recorded to retire preferred stock in excess of carrying values in our FFO calculation.

Our policy is to expense the cost of interior painting, vinyl flooring and blinds as incurred for stabilized properties. During the stabilization period for acquisition properties, these items are capitalized as part of the total repositioning program of newly acquired properties, and thus are not deducted in calculating FFO.

FFO should not be considered as an alternative to net income attributable to MAA or any other GAAP measurement of performance, as an indicator of operating performance, or as an alternative to cash flow from operating, investing and financing activities as a measure of liquidity. We believe that FFO is helpful to investors in understanding our operating performance in that such calculation excludes depreciation expense on real estate assets. We believe that GAAP historical cost depreciation of real estate assets is generally not correlated with changes in the value of those assets, whose value does not diminish predictably over time. Our calculation of FFO may differ from the methodology for calculating FFO utilized by other REITs and, accordingly, may not be comparable to such other REITs.

The following table is a reconciliation of FFO to net income attributable to MAA for the three month periods ended March 31, 2011, and 2010 (dollars and shares in thousands):

	Three months ended March 31, 2011	Three months ended March 31, 2010
Net income attributable to MAA	$ 8,844	$ 9,412
Depreciation of real estate assets	27,212	24,569
Net casualty loss (gain) and other settlement proceeds	148	(156)
Gain on properties contributed to joint ventures	-	(371)
Depreciation of real estate assets of real estate joint ventures	514	402
Preferred dividend distribution	-	(3,216)
Net income attributable to noncontrolling interests	311	437
Funds from operations	$ 37,029	$ 31,077

FFO for the three month period ended March 31, 2011 increased approximately $6.0 million from the three months ended March 31, 2010 primarily as a result of the increase in property revenues of approximately $9.8 million discussed above that was only partially offset by the $4.0 million increase in property operating expenses.

Trends

During the three months ended March 31, 2011, rental demand for apartments continued to improve relative to the same period in 2010 and the prior quarter. This was evident through three encouraging trends: increasing prices on both new leases and renewals signed during the quarter, increasing effective rent per unit (a longer term trend of increasing rents), and strong and steady occupancy as compared to both prior quarter and prior year. Average effective rent per unit is equal to the average of gross rent amounts after the effect of leasing concessions for occupied units plus prevalent market rates asked for unoccupied units, divided by the total number of units. Leasing concessions represent discounts to the current market rate. We believe average effective rent is a helpful measurement in evaluating average pricing. It does not represent actual rental revenue collected per unit. With job growth, one of the primary drivers of apartment demand, continuing to return at a slower pace than preferred, we remain cautious about apartment demand and pricing but optimistic about the long term prospects for apartment demand as job growth returns.

An important part of our portfolio strategy is to maintain a broad diversity of markets across the Sunbelt region of the United States. The diversity of markets tends to mitigate exposure to economic issues in any one geographic market or area. We have found that a well diversified portfolio, including both large and select secondary markets, has tended to perform well in “up” cycles as well as weather “down” cycles better. As of March 31, 2011, we were invested in over 49 separate markets, with 61% of our gross assets in large markets and 39% of our gross assets in select secondary markets.

We also continue to benefit on the supply side. Supply declined in 2010 and continues to run well below historical new supply delivery averages. Competition from condominiums reverting back to rental units, or new condominiums being converted to rental, was not a major factor in our portfolio because most of our submarkets have not been primary areas for condominium development. We have found the same to be true for rental competition from single family homes. We have avoided committing a significant amount of capital to markets where most of the excessive inflation in house prices has occurred. We saw significant rental competition from condominiums or single family houses in only a few of our submarkets. We expect this relative new supply compression to be an even larger factor over the next several quarters as supply that did come to market before the slowdown moves further away from the lease up stage and new supply remains limited.

Our focus in the three months ended March 31, 2011 was on maintaining strong occupancy performance and aggressively pushing pricing where possible through our revenue management system. Through these efforts, our average same store occupancy (large market same store and secondary market same store segments combined) in the first quarter remained consistent with the same period in the prior year as well as fourth quarter of 2010 (in the 96% range for all three periods). As mentioned above, effective rent per unit for the quarter was positive on both a quarter over quarter and sequential quarter basis. In the third quarter of 2010, we saw the first sequential quarter increase in effective rents in seven quarters. This pricing trend continued through the end of 2010 and into the first quarter of 2011 and is expected to grow at an increasing rate in 2011.

Overall same store revenues increased 4% for the three months ended March 31, 2011 as compared to the quarter ended March 31, 2010. This included an increase of $1.4 million due to our new bulk cable program. With cable expense netted into cable revenues, same store revenues increased 3% over this period. For the second straight quarter, revenue growth as compared to the prior year was positive, as rents continued to rebound from declines seen in 2009 and early 2010. We expect more robust revenue growth will resume in 2011 as the economic growth returns and, most importantly, when sustainable job growth resumes. We also believe reduced availability of financing for new apartment construction will likely limit new apartment construction over the next few quarters, and more sustainable credit terms for residential mortgages should work to favor rental demand at existing multi-family properties. At the same time, we expect long-term demographic trends, including the growth of prime age groups for rentals, immigration and population movement to the southeast and southwest, will continue to build apartment rental demand for our markets.

Should the economy fall back into a recession, the limited new supply of apartments and the more disciplined mortgage financing for single family home buying should lessen the impact to some degree, but a weak economy and employment market would nevertheless limit rent growth prospects.

We continue to develop improved products, operating systems and procedures that enable us to capture more revenues. The continued roll-out of ancillary services (such as our cable saver and deposit saver programs), improved collections and utility reimbursements enable us to capture increased revenue dollars. Additionally, we rolled out Level One Leasing Solutions, a 24-hour call support service center, in late fourth quarter, which is expected to contribute increased leasing efficiencies. We also actively work on improving processes and products to reduce expenses, such as new web-sites and internet access for our residents that enable them to transact their business with us more simply and effectively.

Throughout the three months ended March 31, 2011, we continued to have the benefit of lower interest rates resulting from a continued strong market for Federal National Mortgage Association and Federal Home Loan Mortgage Corporation debt securities. Additional sources of debt such as life insurance companies have also contributed to a more competitive, favorable market for borrowers. Short term interest rates continue to be at historically low levels, and as a result, we are forecasting a continuation of favorable interest rates in the near term with the expectation of rising rates as the economy improves.

Liquidity and Capital Resources

Net cash flow provided by operating activities increased to $31.3 million for the three months ended March 31, 2011 from $25.1 million for the three months ended March 31, 2010. This change was a result of various items, including changes in cash flows associated with the timing of interest payments.

Net cash used in investing activities was approximately $47.3 million during the three months ended March 31, 2011 compared to net cash provided by investing activities of $31.5 million during the three months ended March 31, 2010. During the three months ended March 31, 2011, we had cash outflows of approximately $30.0 million primarily related to property acquisitions. No communities were acquired during the three months ended March 31, 2010. We also had cash outflows of $3.6 million related to development activities during the three months ended March 31, 2011 compared to $0 during the three months ended March 31, 2010. We received approximately $47.0 million during the three months ended March 31, 2010 primarily related to the contribution of a community to one of our joint ventures. No properties were disposed of during the three months ended March 31, 2011.

Net cash provided by financing activities was approximately $17.3 million for the three months ended March 31, 2011, compared to net cash used in financing activities of approximately $38.1 million during the three months ended March 31, 2010. During the three months ended March 31, 2011, we received net proceeds of approximately $61.2

million from the issuance of shares of common stock through our at-the-market program, or ATM, and $30.0 million through the optional cash purchase feature of our Dividend and Distribution Reinvestment and Share Purchase Plan, or DRSPP. We used a portion of the proceeds to partially fund acquisitions during the three months ended March 31, 2011. During the three months ended March 31, 2010 we received net proceeds of approximately $29.9 million from issuances of shares of common stock through our ATM program.

The weighted average interest rate at March 31, 2011 for the $1.5 billion of debt outstanding was 3.9%, compared to the weighted average interest rate of 4.0% on $1.4 billion of debt outstanding at March 1, 2010. We utilize both conventional and tax exempt debt to help finance our activities. Borrowings are made through individual property mortgages as well as company-wide secured credit facilities. We utilize fixed rate borrowings, interest rate swaps and interest rate caps to manage our current and future interest rate risk. More details on our borrowings can be found in the schedules presented later in this section.

At March 31, 2011, we had secured credit facility relationships with Prudential Mortgage Capital, which are credit enhanced by the Federal National Mortgage Association, or FNMA, Financial Federal, which are credit enhanced by the Federal Home Loan Mortgage Corporation, or Freddie Mac, and a $50 million bank facility with a syndicate of banks. Together, these credit facilities provided a total line capacity of approximately $1.4 billion with all but $6.4 million collateralized and available to borrow at March 31, 2011. We had total borrowings outstanding under these credit facilities of $1.2 billion at March 31, 2011.

Approximately 62% of our outstanding obligations at March 31, 2011 were borrowed through credit facilities with/or credit enhanced by FNMA, also referred to as the FNMA Facilities. The FNMA Facilities have a combined line limit of $1.0 billion, all of which was collateralized and available to borrow at March 31, 2011. We had total borrowings outstanding under the FNMA Facilities of approximately $0.9 billion at March 31, 2011. Various traunches of the FNMA Facilities mature from 2011 through 2018. The FNMA Facilities provide for both fixed and variable rate borrowings. The interest rate on the majority of the variable portion is based on the FNMA Discount Mortgage Backed Security, or DMBS, rate, which are credit-enhanced by FNMA and are typically sold every 90 days by Prudential Mortgage Capital at interest rates approximating three-month LIBOR less a spread that has averaged 0.16% over the life of the FNMA Facilities, plus a credit enhancement fee of 0.49% to 0.67%.

Approximately 21% of our outstanding obligations at March 31, 2011 were borrowed through facilities with/or credit enhanced by Freddie Mac, also referred to as the Freddie Mac Facilities. The Freddie Mac Facilities have a combined line limit of $300 million, of which $298 million was collateralized and available to borrow at March 31, 2011. We had total borrowings outstanding under the Freddie Mac Facilities of approximately $298 million at March 31, 2011. The Freddie Mac facilities mature in 2011 and 2014. The interest rate on the Freddie Mac Facilities renews every 30 or 90 days and is based on the Freddie Mac Reference Bill Rate on the date of renewal, which has historically approximated the equivalent 30-day or 90-day LIBOR, plus a credit enhancement fee of 0.65% to 0.69%. The Freddie Mac Reference Bill rate has traded consistently below LIBOR, and the historical average spread is 0.33% below LIBOR.

Each of our secured credit facilities is subject to various covenants and conditions on usage, and is subject to periodic re-evaluation of collateral. If we were to fail to satisfy a condition to borrowing, the available credit under one or more of the facilities could not be drawn, which could adversely affect our liquidity. In the event of a reduction in real estate values, the amount of available credit could be reduced. Moreover, if we were to fail to make a payment or violate a covenant under a credit facility, one or more of our lenders could declare a default after applicable cure periods, accelerate the due date for repayment of all amounts outstanding and/or foreclose on properties securing such facilities. Any such event could have a material adverse effect.

The following schedule details the line limits, collateralized availability and the outstanding balances of our various borrowings as of March 31, 2011 (in thousands):

	Line Limit	Amount Collateralized	Amount Borrowed
FNMA Credit Facilities	$ 1,044,429	$ 1,044,429	$ 899,833
Freddie Mac Credit Facilities	300,000	298,247	298,247
Regions Credit Facility	50,000	45,310	-
Other Borrowings	253,702	253,702	253,702
Total Debt	$ 1,648,131	$ 1,641,688	$ 1,451,782

As of March 31, 2011, we had entered into interest rate swaps totaling a notional amount of $735 million. To date, these swaps have proven to be highly effective hedges. We also entered into interest rate cap agreements totaling a notional amount of approximately $271 million as of March 31, 2011. Four major banks provide approximately 95% of our derivative fair value, all of which have high investment grade ratings from Moody’s and S&P.

The following schedule outlines our variable versus fixed rate debt, including the impact of interest rate swaps and caps, outstanding as of March 31, 2011 (in thousands):

	Principal Balance	Average Years to Contract Maturity	Effective Rate
Conventional - Fixed Rate or Swapped	$ 994,607	3.7	5.2 %
Tax-free - Fixed Rate or Swapped	28,695	7.7	4.7 %
Conventional - Variable Rate (1)	157,829	3.0	1.1 %
Conventional - Variable Rate - Capped (2)	197,936	5.1	0.8 %
Tax-free - Variable Rate - Capped (2)	72,715	2.0	1.1 %
Total Debt Outstanding	$ 1,451,782	3.6	3.9 %

(1) Includes a $15 million mortgage with an imbedded cap at a 7% rate.
(2) When the capped rates are not reached, the average rate represents the rate on the underlying variable debt.

The following schedule outlines the contractual maturity dates of our total borrowing capacity as of March 31, 2011 (in thousands):

	Line Limit Credit Facilities				
Maturity	Fannie Mae	Freddie Mac	Regions	Other	Total
2011	$ 80,000	$ 100,000	$ -	$ -	$ 180,000
2012	80,000	-	50,000	-	130,000
2013	203,193	-	-	-	203,193
2014	321,236	200,000	-	17,544	538,780
2015	120,000	-	-	52,054	172,054
2016	80,000	-	-	-	80,000
Thereafter	160,000	-	-	184,104	344,104
Total	$ 1,044,429	$ 300,000	$ 50,000	$ 253,702	$ 1,648,131

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The following schedule outlines the interest rate maturities of our outstanding interest rate swap agreements and fixed rate debt as of March 31, 2011 (in thousands):

	Swap Balances				Total	
	LIBOR	SIFMA	Fannie Mae Facility	Fixed Rate Balances	Balance	Contract Rate
2011	$ 158,000	$ -	$ -	$ -	$ 158,000	5.2 %
2012	150,000	17,800	-	-	167,800	5.1 %
2013	190,000	-	-	-	190,000	5.2 %
2014	144,000	-	-	17,544	161,544	5.7 %
2015	75,000	-	-	36,854	111,854	5.6 %
2016	-	-	-	-	-	-
Thereafter	-	-	50,000	184,104	234,104	4.7 %
Total	$ 717,000	$ 17,800	$ 50,000	$ 238,502	$ 1,023,302	5.2 %

We believe that we have adequate resources to fund our current operations, annual refurbishment of our properties, and incremental investment in new apartment properties. We rely on the efficient operation of the financial markets to finance debt maturities, and on FNMA and Freddie Mac, or the Agencies, who have now been placed into conservatorship by the United States government, and whose securities are now implicitly government-guaranteed. The Agencies provide credit enhancement for approximately $1.2 billion of our outstanding debt through credit facilities as of March 31, 2011.

The interest rate markets for FNMA DMBS and Freddie Mac Reference Bills, which in our experience are highly liquid and highly correlated with three-month LIBOR interest rates, are also an important component of our liquidity and interest rate swap and cap effectiveness. Prudential Mortgage Capital, a delegated underwriting and servicing lender for Fannie Mae, markets 90-day Fannie Mae Discount Mortgage Backed Securities monthly, and is obligated to advance funds to us at DMBS rates plus a credit spread under the terms of the credit agreements between Prudential and us. Financial Federal, a Freddie Mac Program Plus Lender and Servicer, is obligated to advance funds under the terms of credit agreements between Financial Federal and us.

For the three months ended March 31, 2011, our net cash provided by operating activities was short of funding improvements to existing real estate assets, distributions to unitholders, and dividends paid on common and preferred shares by approximately $2.5 million. This compares to a shortfall of approximately $5.7 million for the three months ended March 31, 2010. While we have sufficient liquidity to permit distributions at current rates through additional borrowings, if necessary, any significant deterioration in operations could result in our financial resources being insufficient to pay distributions to shareholders at the current rate, in which event we would be required to reduce the distribution rate.

The following table reflects our total contractual cash obligations which consist of our long-term debt and operating leases as of March 31, 2011, (dollars in thousands):

Contractual Obligations (1)	2011	2012	2013	2014	2015	Thereafter	Total
Long-Term Debt (2)	$182,964	$84,476	$183,745	$448,282	$173,254	$379,061	$1,451,782
Fixed Rate or Swapped Interest (3)	33,138	35,992	28,367	19,072	12,904	42,909	172,382
Operating Lease	13	13	4	3	1	-	34
Total	$216,115	$120,481	$212,116	$467,357	$186,159	$421,970	$1,624,198

(1) Fixed rate and swapped interest are shown in this table. The average interest rates of variable rate debt are shown in preceding tables.

(2) Represents principal payments.

(3) Swapped interest is subject to the ineffective portion of cash flow hedges as described in Note 8 to the financial statements.

Off-Balance Sheet Arrangements

At March 31, 2011, and 2010, we did not have any relationships with unconsolidated entities or financial partnerships established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Mid-America Multifamily Fund I, LLC, one of our joint ventures, was established to acquire $500 million of apartment communities with redevelopment upside offering value creation opportunity through capital improvements, operating enhancements and restructuring in-place financing. As of March 31, 2011, Mid-America Multifamily Fund I, LLC owned two properties but does not expect to acquire any additional communities. Mid-America Multifamily Fund II, LLC, our other joint venture, was established to acquire $250 million of apartment communities with redevelopment upside offering value creation opportunity through capital improvements, operating enhancements and restructuring in-place financing. As of March 31, 2011, Mid-America Multifamily Fund II, LLC, or Fund II, owned five properties. In addition, we do not engage in trading activities involving non-exchange traded contracts. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships. We do not have any relationships or transactions with persons or entities that derive benefits from their non-independent relationships with us or our related parties other than those disclosed in Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements, Note 12 in our 2010 Annual Report on Form 10-K filed on February 24, 2011.

Our investments in our real estate joint ventures are unconsolidated and are recorded using the equity method as we do not have a controlling interest.

Insurance

We renegotiated our insurance programs effective July 1, 2010. We believe that the property and casualty insurance program in place provides appropriate insurance coverage for financial protection against insurable risks such that any insurable loss experienced that can be reasonably anticipated would not have a significant impact on our liquidity, financial position or results of operation.

Inflation

Substantially all of the resident leases at our communities allow, at the time of renewal, for adjustments in the rent payable hereunder, and thus may enable us to seek rent increases. Almost all leases are for one year or less. The short-term nature of these leases generally serves to reduce the risk of the adverse effects of inflation.

Impact of Recently Issued Accounting Standards

In June 2008, the FASB issued ASC 810-10-05, Amendments to FASB Interpretation No. 46(R), or ASC 810-10-05, which amends events that would require reconsidering whether an entity is a variable interest entity; it amends the criteria used to determine the primary beneficiary of a variable interest entity; and it expands disclosures about an enterprise's involvement in variable interest entities. ASC 810-10-05 is effective for annual reporting periods beginning after November 15, 2009 and earlier application is prohibited. We adopted ASC 810-10-05 effective January 1, 2010. The adoption did not have a material impact on our consolidated financial condition or results of operations taken as a whole.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to interest rate changes associated with our credit facilities and other variable rate debt as well as refinancing risk on our fixed rate debt. Our involvement with derivative financial instruments is limited to managing our exposure to changes in interest rates and we do not expect to use them for trading or other speculative purposes.

There have been no material changes in our market risk as disclosed in the 2010 Annual Report on Form 10-K except for the changes as discussed under Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations under the "Liquidity and Capital Resources" section, which are incorporated by reference herein.

Item 4. Controls and Procedures.

Management's Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in our filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including ensuring that such information is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of March 31, 2011 (the end of the period covered by this Quarterly Report on Form 10-Q).

Changes in Internal Controls

During the three months ended March 31, 2011, there were no changes in our internal control over financial reporting that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Item 4T. Controls and Procedures.

Not applicable

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

We have identified the following additional risks and uncertainties that may have a material adverse effect on our business, financial condition or results of operations. Investors should carefully consider the risks described below before making an investment decision. Our business faces significant risks and the risks described below may not be the only risks we face. Additional risks not presently known to us or that we currently believe are immaterial may also significantly impair our business operations. If any of these risks occur, our business, results of operations or financial condition could suffer, the market price of our common stock could decline and you could lose all or part of your investment in our common stock.

Risks Related to Our Real Estate Investments and Our Operations

Economic slowdown in the United States and downturns in the housing and real estate markets may adversely affect our financial condition and results of operations

There has been significant declines in economic growth, both in the United States and globally. Both the real estate industry and the broader United States economy have experienced unfavorable conditions, which have adversely affected our revenues. Although our industry and the United States economy showed signs of improvement in 2010, we cannot accurately predict that market conditions will continue to improve in the near future or tat our financial condition and results of operations will not continue to be adversely affected. Factors such as weakened economies and related reduction in spending, falling home prices and job losses, price volatility, and/or dislocations and liquidity disruptions in the financial and credit markets could, among other things, continue to impede the ability of our tenants and other parties with which we conduct business to perform their contractual obligations, which could lead to an increase in defaults by our tenants and other contracting parties, which could adversely affect our revenues. Furthermore, our ability to lease our properties at favorable rates, or at all, is adversely affected by increases in supply and deterioration in multifamily markets and is dependent upon the overall level of spending in the economy, which is adversely affected by, among other things, job losses and unemployment levels, recession, personal debt levels, downturns in the housing market, stock market volatility and uncertainty about the future. With regard to our ability to lease our multifamily properties, the increasing rental of excess for-sale condominiums and single family homes, which increases the supply of multifamily units and housing alternatives, may reduce our ability to lease our multifamily units and depress rental rates in certain markets. When we experience a downturn, we cannot predict how long demand and other factors in the real estate market will remain unfavorable, but if the markets remain weak over extended periods of time or deteriorate significantly, our ability to lease our properties or our ability to increase or maintain rental rates in certain markets may weaken.

Failure to generate sufficient cash flows could limit our ability to pay distributions to shareholders

Our ability to generate sufficient cash flow in order to pay distributions to our shareholders depends on our ability to generate funds from operations in excess of capital expenditure requirements and/or to have access to the markets for debt and equity financing. Funds from operations and the value of our apartment communities may be insufficient because of factors which are beyond our control. Such events or conditions could include:

- competition from other apartment communities;
- overbuilding of new apartment units or oversupply of available apartment units in our markets, which might adversely affect apartment occupancy or rental rates and/or require rent concessions in order to lease apartment units;
- conversion of condominiums and single family houses to rental use;
- weakness in the overall economy which lowers job growth and the associated demand for apartment housing;
- increases in operating costs (including real estate taxes and insurance premiums) due to inflation and other factors, which may not be offset by increased rents;
- inability to initially, or subsequently after lease terminations, rent apartments on favorable economic terms;
- inability to complete or lease-up development communities on a timely basis, if at all;
- changes in governmental regulations and the related costs of compliance;
- changes in laws including, but not limited to, tax laws and housing laws including the enactment of rent control laws or other laws regulating multifamily housing;
- withdrawal of Government support of apartment financing through its financial backing of the Federal National Mortgage Association, or FNMA, or the Federal Home Loan Mortgage Corporation, or Freddie Mac;
- an uninsured loss, including those resulting from a catastrophic storm, earthquake, or act of terrorism;
- changes in interest rate levels and the availability of financing, borrower credit standards, and down-payment requirements which could lead renters to purchase homes (if interest rates decrease and home loans are more readily available) or increase our acquisition and operating costs (if interest rates increase and financing is less readily available); and
- the relative illiquidity of real estate investments.

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At times, we rely on external funding sources to fully fund the payment of distributions to shareholders and our capital investment program (including our existing property expansion developments). While we have sufficient liquidity to permit distributions at current rates through additional borrowings if necessary, any significant and sustained deterioration in operations could result in our financial resources being insufficient to pay distributions to shareholders at the current rate, in which event we would be required to reduce the distribution rate. Any decline in our funds from operations could adversely affect our ability to make distributions to our shareholders or to meet our loan covenants and could have a material adverse effect on our stock price.

We may be adversely affected by new laws and regulations

The current United States administration and Congress have enacted, or called for consideration of, proposals relating to a variety of issues, including with respect to health care, financial regulation reform, climate control, executive compensation and others. We believe that these and other potential proposals could have varying degrees of impact on us ranging from minimal to material. At this time, we are unable to predict with certainty what level of impact specific proposals could have on us.

Certain rulemaking and administrative efforts that may have an impact on us focus principally on the areas perceived as contributing to the global financial crisis and the continuing economic downturn. These initiatives have created a degree of uncertainty regarding the basic rules governing the real estate industry and many other businesses that is unprecedented in the United States at least since the wave of lawmaking and regulatory reform that followed in the wake of the Great Depression. The federal legislative response in this area has culminated most recently in the enactment on July 21, 2010 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act. Many of the provisions of the Dodd-Frank Act have extended implementation periods and delayed effective dates and will require extensive rulemaking by regulatory authorities; thus, the impact on us may not be known for an extended period of time. The Dodd-Frank Act, including future rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals that are proposed or pending in the United States Congress, may limit our revenues, impose fees or taxes on us, and/or intensify the regulatory framework in which we operate in ways that are not currently identifiable.

Changing laws, regulations and standards relating to corporate governance and public disclosure in particular, including certain provisions of the Dodd-Frank Act and the rules and regulations promulgated thereunder, have created uncertainty for public companies like ours and could significantly increase the costs and risks associated with accessing the United States public markets. Because we are committed to maintaining high standards of internal control over financial reporting, corporate governance and public disclosure, our management team will need to devote significant time and financial resources to comply with these evolving standards for public companies. We intend to continue to invest appropriate resources to comply with both existing and evolving standards, and this investment has resulted and will likely continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities.

We are dependent on key personnel

Our success depends in part on our ability to attract and retain the services of executive officers and other personnel. There is substantial competition for qualified personnel in the real estate industry, and the loss of several of our key personnel could have an adverse effect on us.

New acquisitions may fail to perform as expected, and failure to integrate acquired communities and new personnel could create inefficiencies

We intend to actively acquire and improve multifamily communities for rental operations. We may underestimate the costs necessary to bring an acquired community up to standards established for our intended market position. Additionally, to grow successfully, we must be able to apply our experience in managing our existing portfolio of apartment communities to a larger number of properties. We must also be able to integrate new management and operations personnel as our organization grows in size and complexity. Failures in either area will result in inefficiencies that could adversely affect our overall profitability.

We may not be able to sell communities when appropriate

Real estate investments are relatively illiquid and generally cannot be sold quickly. We may not be able to change our portfolio promptly in response to economic or other conditions. Further, we own seven communities, which are subject to restrictions on sale and are required to be exchanged through a 1031b tax-free exchange, unless we pay the tax liability of the contributing partners. This inability to respond promptly to changes in the performance of our investments could adversely affect our financial condition and ability to make distributions to our security holders.

Environmental problems are possible and can be costly

Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at such community. The owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination. These laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site. All of our communities have been the subject of environmental assessments completed by qualified independent environmental consultant companies. These environmental assessments have not revealed, nor are we aware of, any environmental liability that we believe would have a material adverse effect on our business, results of operations, financial condition or liquidity. Over the past several years, there have 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. We cannot be assured that existing environmental assessments of our communities reveal all environmental liabilities, that any prior owner of any of our properties did not create a material environmental condition not known to us, or that a material environmental condition does not otherwise exist.

Changes in the system for establishing United States accounting standards may materially and adversely affect our reported results of operations

Accounting for public companies in the United States has historically been conducted in accordance with generally accepted accounting principles as in effect in the United States, or GAAP. GAAP is established by the Financial Accounting Standards Board, or FASB, an independent body whose standards are recognized by the SEC as authoritative for publicly held companies. The International Accounting Standards Board, or IASB, is a London-based independent board established in 2001 and charged with the development of International Financial Reporting Standards, or IFRS. IFRS generally reflects accounting practices that prevail in Europe and in developed nations around the world.

IFRS differs in material respects from GAAP. Among other things, IFRS has historically relied more on “fair value” models of accounting for assets and liabilities than GAAP. “Fair value” models are based on periodic revaluation of assets and liabilities, often resulting in fluctuations in such values as compared to GAAP, which relies more frequently on historical cost as the basis for asset and liability valuation.

The SEC has proposed the mandatory adoption of IFRS by United States public companies starting in 2015, with early adoption permitted before that date. It is unclear at this time how the SEC will propose that GAAP and IFRS be harmonized if the proposed change is adopted. In addition, switching to a new method of accounting and adopting

IFRS will be a complex undertaking. We may need to develop new systems and controls based on the principles of IFRS. Since these are new endeavors, and the precise requirements of the pronouncements ultimately adopted are not now known, the magnitude of costs associated with this conversion are uncertain.

We are currently evaluating the impact of the adoption of IFRS on our financial position and results of operations. Such evaluation cannot be completed, however, without more clarity regarding the specific IFRS standards that will be adopted. Until there is more certainty with respect to the IFRS standards to be adopted, prospective investors should consider that our conversion to IFRS could have a material adverse impact on our reported results of operations.

Losses from catastrophes may exceed our insurance coverage

We carry comprehensive liability and property insurance on our communities and intend to obtain similar coverage for communities we acquire in the future. Some losses, generally of a catastrophic nature, such as losses from floods, hurricanes or earthquakes, are subject to limitations, and thus may be uninsured. We exercise our discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance on our investments at a reasonable cost and on suitable terms. If we suffer a substantial loss, our insurance coverage may not be sufficient to pay the full current market value or current replacement value of our lost investment. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might make it infeasible to use insurance proceeds to replace a property after it has been damaged or destroyed.

Increasing real estate taxes and insurance costs may negatively impact financial condition

As a result of our substantial real estate holdings, the cost of real estate taxes and insuring our apartment communities is a significant component of expense. Real estate taxes and insurance premiums are subject to significant increases and fluctuations, which can be widely outside of our control. If the costs associated with real estate taxes and insurance should rise, our financial condition could be negatively impacted, and our ability to pay our dividend could be affected.

We may experience increased costs arising from health care reform

In March 2010, the United States government enacted comprehensive health care reform legislation which, among other things, includes guaranteed coverage requirements, eliminates pre-existing condition exclusions and annual and lifetime maximum limits, restricts the extent to which policies can be rescinded and imposes new and significant taxes on health insurers and health care benefits. The legislation imposes implementation effective dates beginning in 2010 and extending through 2020, and many of the changes require additional guidance from government agencies or federal regulations. Therefore, due to the phased-in nature of the implementation and the lack of interpretive guidance, it is difficult to determine at this time what impact the health care reform legislation will have on our financial results. Possible adverse effects of the health reform legislation include increased costs, exposure to expanded liability and requirements for us to revise ways in which we provide healthcare and other benefits to our employees. In addition, our results of operations, financial position and cash flows could be materially adversely affected.

Property insurance limits may be inadequate and deductibles may be excessive in the event of a catastrophic loss or a series of major losses, and may cause a breach of loan covenants

We have a significant proportion of our assets in areas exposed to windstorms and to the New Madrid seismic zone. A major wind or earthquake loss, or series of losses, could require that we pay significant deductibles as well as additional amounts above the per occurrence limit of our insurance for these risks. We may then be judged to have breached one or more of our loan covenants, and any of the foregoing events could have a material adverse effect on our assets, financial condition, and results of operation.

Compliance or failure to comply with laws requiring access to our properties by disabled persons could result in substantial cost

The Americans with Disabilities Act, the Fair Housing Act of 1988 and other federal, state and local laws generally require that public accommodations be made accessible to disabled persons. Noncompliance could result in the imposition of fines by the government or the award of damages to private litigants. These laws may require us to modify our existing communities. These laws may also restrict renovations by requiring improved access to such buildings by disabled persons or may require us to add other structural features that increase our construction costs.

Legislation or regulations adopted in the future may impose further burdens or restrictions on us with respect to improved access by disabled persons. We cannot ascertain the costs of compliance with these laws, which may be substantial.

Risks Related to Our Indebtedness and Financing Activities

A change in United States government policy with regard to FNMA and Freddie Mac could seriously impact our financial condition

On February 11, 2011, the Obama Administration released a report to Congress which included options, among others, to gradually shrink and eventually shut down FNMA and Freddie Mac. In April 2011, Standard & Poor's Ratings Services lowered its outlook in connection with FNMA and Freddie Mac to negative. We do not know when or if FNMA or Freddie Mac will restrict its support of lending to the multifamily industry or to us in particular. As of March 31, 2011, 83% of our outstanding debt was borrowed through credit facilities provided by or credit-enhanced by FNMA or Freddie Mac with maturities ranging from 2011 through 2018. While the report to Congress recognized the critically important role that FNMA and Freddie Mac play in the housing finance market and committed to ensuring they have sufficient capital to perform under any guarantees issued now or in the future and the ability to meet any of their debt obligations, should they be unable to meet their obligations, it would have a material adverse affect on both us and the multifamily industry, and we would seek alternative sources of funding. This could jeopardize the effectiveness of our interest rate swaps, require us to post collateral up to the market value of the interest rate swaps, and either of these occurrences could potentially cause a breach in one or more of our loan covenants, and through reduced loan availability, impact the value of multifamily assets, which could impair the value of our properties.

Our financing could be impacted by negative capital market conditions

Over the past two and a half years, domestic financial markets have experienced unusual volatility and uncertainty. Liquidity tightened in financial markets, including the investment grade debt, the CMBS, commercial paper, and equity capital markets. A large majority of apartment financing, and as of March 31, 2011, 83% of our outstanding debt, was borrowed through credit facilities provided by or credit-enhanced by FNMA and Freddie Mac, which are now under the conservatorship of the United States government, but for which, on February 11, 2011, the Obama Administration released a report to Congress which included options to gradually shrink and eventually shut down FNMA and Freddie Mac. Furthermore, in April 2011, Standard & Poor's Ratings Services lowered its outlook in connection with FNMA and Freddie Mac to negative. We have seen an increase in the volatility of short term interest rates and changes in historic relationships between LIBOR (which is the basis for the majority of the payments to us by our swap counterparties) and the actual interest rate we pay through the FNMA Discount Mortgage Backed Security, or DMBS, and the Freddie Mac Reference Bill programs. This creates a risk that our interest expense will fluctuate to a greater extent than it has in the past, and it makes forecasting more difficult. Were our credit arrangements with Prudential Mortgage Capital, credit-enhanced by FNMA, or with Financial Federal, credit-enhanced by Freddie Mac, to fail, or their ability to lend money to finance apartment communities to become impaired or cease, we would have to seek alternative sources of capital, which might not be available on terms acceptable to us, if at all. In addition, any such event would most likely cause our interest costs to rise. This could also cause our interest rate swaps and caps to become ineffective, triggering a default in one or more of our credit agreements. If any of the foregoing events were to occur, it could have a material adverse affect on our business, financial condition and prospects.

Various traunches of our credit facilities with FNMA and Freddie Mac mature from 2011 through 2018, and we anticipate that replacement facilities will be at a higher cost and have less attractive terms, if available at all.

A change in the value of our assets could cause us to experience a cash shortfall, to be in default of our loan covenants, or to incur a charge for the impairment of assets

We borrow on a secured basis from FNMA, Freddie Mac, and Regions Bank. A significant reduction in the value of our assets could require us to post additional collateral. While we believe that we have significant excess collateral and capacity, future asset values are uncertain. If we were unable to meet a request to add collateral to a credit facility, this would have a material adverse affect on our liquidity and our ability to meet our loan covenants. We may determine that the value of an individual asset, or group of assets, was irrevocably impaired, and that we may need to record a charge to write-down the value of the asset to reflect its current value.

Debt level, refinancing and loan covenant risk may adversely affect our financial condition and operating results and our ability to maintain our status as a REIT

At March 31, 2011, we had total debt outstanding of $1.5 billion. Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate the apartment communities or to pay distributions that are required to be paid in order for us to maintain our qualification as a REIT. We currently intend to limit our total debt to a range of approximately 45% to 55% of the undepreciated book value of our assets, although our charter and bylaws do not limit our debt levels. Circumstances may cause us to exceed that target from time-to-time. As of March 31, 2011, our ratio of debt to undepreciated book value was approximately 46%. Our Board of Directors can modify this policy at any time, which could allow us to become more highly leveraged and decrease our ability to make distributions to our shareholders. In addition, we must repay our debt upon maturity, and the inability to access debt or equity capital at attractive rates could adversely affect our financial condition and/or our funds from operations. We rely on FNMA and Freddie Mac, which we refer to as the Agencies, for the majority of our debt financing and have agreements with the Agencies and with other lenders that require us to comply with certain covenants, including maintaining adequate collateral that is subject to revaluation quarterly. The breach of any one of these covenants would place us in default with our lenders and may have serious consequences on our operations.

Interest rate hedging may be ineffective

We rely on the financial markets to refinance debt maturities, and also are heavily reliant on the Agencies, which provided credit or credit enhancement for the majority of our outstanding debt as of March 31, 2011. The debt is provided under the terms of credit facilities with Prudential Mortgage Capital (credit-enhanced by FNMA) and Financial Federal (credit-enhanced by Freddie Mac). We pay fees to the credit facility providers and the Agencies plus interest, which is based on the FNMA DMBS rate and the Freddie Mac Reference Bill Rate.

The interest rate market for the FNMA DMBS rate and the Freddie Mac Reference Bill Rate, both of which have been highly correlated with LIBOR interest rates, are also an important component of our liquidity and interest rate swap and cap effectiveness. In our experience, the FNMA DMBS rate has historically averaged 16 basis points below three-month LIBOR, and the Freddie Mac Reference Bill rate has averaged 33 basis points below the associated LIBOR rate, but in the past 3 years the spreads increased significantly and have been more volatile than we have historically seen. We cannot forecast when or if the uncertainty and volatility in the market may change. Continued unusual volatility over a period of time could cause us to lose hedge accounting treatment for our interest rate swaps and caps, resulting in material changes to our consolidated statements of operations and balance sheet, and potentially cause a breach with one of our debt covenants.

Fluctuations in interest rate spreads between the DMBS and Reference Bill rates and three-month LIBOR causes ineffectiveness to flow through interest expense in the current period if we are in an overhedged position, and together with the unrecognized ineffectiveness, reduces the effectiveness of the swaps and caps.

We also rely on the credit of the counterparties that provide swaps and caps to hedge the interest rate risk on our credit facilities. We use four major banks to provide approximately 95% of our derivative fair value, all of which have high investment grade ratings from Moody's and S&P. In the event that one of our derivative providers should suffer a significant downgrade of its credit rating or fail, our swaps or caps may become ineffective, in which case the value of the swap or cap would be adjusted to fair value in the current period, possibly causing a substantial loss sufficient to cause a breach of one of our debt covenants.

One or more interest rate swap or cap counterparties could default, causing us significant financial exposure

We enter into interest rate swap and interest rate cap agreements only with counterparties that are highly rated (A+ or above by Standard & Poors, or Aa3 or above by Moody's). We also try to diversify our risk amongst several counterparties. In the event one or more of these counterparties were to go into liquidation or to experience a significant rating downgrade, this could cause us to liquidate the interest rate swap or to lose the interest rate protection of an interest rate cap. Liquidation of an interest rate swap could cause us to be required to pay the swap counter party the net present value of the swap, which may represent a significant current period cash charge, possibly sufficient to cause us to breach one or more loan covenants.

Variable interest rates may adversely affect funds from operations

At March 31, 2011, effectively $158 million of our debt bore interest at a variable rate and was not hedged by interest rate swaps or caps. We may incur additional debt in the future that also bears interest at variable rates. Variable rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect our funds from operations and the amount of cash available to pay distributions to shareholders. Our $1.0 billion secured credit facilities with Prudential Mortgage Capital, credit enhanced by FNMA, are predominately floating rate facilities. We also have credit facilities with Freddie Mac totaling $300 million that are variable rate facilities. At March 31, 2011, a total of $1.2 billion was outstanding under these facilities. These facilities represent the majority of the variable interest rates we were exposed to at March 31, 2011. Large portions of the interest rates on these facilities have been hedged by means of a number of interest rate swaps and caps. Upon the termination of these swaps and caps, we will be exposed to the risks of varying interest rates unless acceptable replacement swaps or caps are obtainable.

Issuances of additional debt or equity may adversely impact our financial condition

Our capital requirements depend on numerous factors, including the occupancy and turnover rates of our apartment communities, development and capital expenditures, costs of operations and potential acquisitions. We cannot accurately predict the timing and amount of our capital requirements. If our capital requirements vary materially from our plans, we may require additional financing sooner than anticipated. Accordingly, we could become more leveraged, resulting in increased risk of default on our obligations and in an increase in our debt service requirements, both of which could adversely affect our financial condition and ability to access debt and equity capital markets in the future. If we issue additional equity securities to obtain additional financing, the interest of our existing shareholders could be diluted.

Risks Related to Our Organization and Ownership of MAA’s Stock

Our ownership limit restricts the transferability of our capital stock

Our charter limits ownership of our capital stock by any single shareholder to 9.9% of the value of all outstanding shares of our capital stock, both common and preferred. The charter also prohibits anyone from buying shares if the purchase would result in our losing REIT status. This could happen if a share transaction results in fewer than 100 persons owning all of our shares or in five or fewer persons, applying certain broad attribution rules of the Code, owning 50% or more of our shares. If you acquire shares in excess of the ownership limit or in violation of the ownership requirements of the Code for REITs, we:

- will consider the transfer to be null and void;
- will not reflect the transaction on our books;
- may institute legal action to enjoin the transaction;
- will not pay dividends or other distributions with respect to those shares;
- will not recognize any voting rights for those shares;
- will consider the shares held in trust for our benefit; and
- will either direct you to sell the shares and turn over any profit to us, or we will redeem the shares. If we redeem the shares, you will be paid a price equal to the lesser of the price you paid for the shares; or the average of the last reported sales prices on the New York Stock Exchange on the ten trading days immediately preceding the date fixed for redemption by our Board of Directors.

If you acquire shares in violation of the limits on ownership described above:

- you may lose your power to dispose of the shares;

- you may not recognize profit from the sale of such shares if the market price of the shares increases; and
- you may be required to recognize a loss from the sale of such shares if the market price decreases.

Provisions of our charter and Tennessee law may limit the ability of a third party to acquire control of us

Ownership Limit

The 9.9% ownership limit discussed above may have the effect of precluding acquisition of control of us by a third party without the consent of our Board of Directors.

Preferred Stock

Our charter authorizes our Board of Directors to issue up to 20,000,000 shares of preferred stock. The Board of Directors may establish the preferences and rights of any preferred shares issued. The issuance of preferred stock could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our shareholders' best interests. As of March 31, 2011, no shares of preferred stock were issued and outstanding.

Tennessee Anti-Takeover Statutes

As a Tennessee corporation, we are subject to various legislative acts, which impose restrictions on and require compliance with procedures designed to protect shareholders against unfair or coercive mergers and acquisitions. These statutes may delay or prevent offers to acquire us and increase the difficulty of consummating any such offers, even if our acquisition would be in our shareholders' best interests.

Our investments in joint ventures may involve risks

Investments in joint ventures may involve risks that may not otherwise be present in our direct investments such as:

- the potential inability of our joint venture partner to perform;
- the joint venture partner may have economic or business interests or goals which are inconsistent with or adverse to ours;
- the joint venture partner may take actions contrary to our requests or instructions or contrary to our objectives or policies; and
- the joint venturers may not be able to agree on matters relating to the property they jointly own.

Although each joint owner will have a right of first refusal to purchase the other owner's interest, in the event a sale is desired, the joint owner may not have sufficient resources to exercise such right of first refusal.

Market interest rates and low trading volume may have an adverse effect on the market value of our common shares

The market price of shares of a REIT may be affected by the distribution rate on those shares, as a percentage of the price of the shares, relative to market interest rates. If market interest rates increase, prospective purchasers of our shares may expect a higher annual distribution rate. Higher interest rates would not, however, result in more funds for us to distribute and, in fact, would likely increase our borrowing costs and potentially decrease funds available for distribution. This could cause the market price of our common shares to go down. In addition, although our common shares are listed on The New York Stock Exchange, or NYSE, the daily trading volume of our shares may be lower than the trading volume for other industries. As a result, our investors who desire to liquidate substantial holdings may find that they are unable to dispose of their shares in the market without causing a substantial decline in the market value of the shares.

Changes in market conditions or a failure to meet the market's expectations with regard to our earnings and cash distributions could adversely affect the market price of our common shares

We believe that the market value of a REIT's equity securities is based primarily upon the market's perception of the REIT's growth potential and its current and potential future cash distributions, and is secondarily based upon the real estate market value of the underlying assets. For that reason, our shares may trade at prices that are higher or lower than the net asset value per share. To the extent we retain operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our common shares. In addition, we are subject to the risk that our cash flow will be insufficient to pay distributions to our shareholders. Our failure to meet the market's expectations with regard to future earnings and cash distributions would likely adversely affect the market price of our shares.

The stock markets, including NYSE, on which we list our common shares, have experienced significant price and volume fluctuations. As a result, the market price of our common shares could be similarly volatile, and investors in our common shares may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. Among the market conditions that may affect the market price of our publicly traded securities are the following:

- our financial condition and operating performance and the performance of other similar companies;
- actual or anticipated differences in our quarterly and annual operating results;
- changes in our revenues or earnings estimates or recommendations by securities analysts;
- publication of research reports about us or our industry by securities analysts;
- additions and departures of key personnel;
- inability to access the capital markets;
- strategic decisions by us or our competitors, such as acquisitions, dispositions, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the issuance of additional shares of our common stock, or the perception that such sales may occur, including under our at-the-market controlled equity offering programs;
- the reputation of REITs generally and the reputation of REITs with portfolios similar to ours;
- the attractiveness of the securities of REITs in comparison to securities issued by other entities (including securities issued by other real estate companies);
- an increase in market interest rates, which may lead prospective investors to demand a higher distribution rate in relation to the price paid for our shares;
- the passage of legislation or other regulatory developments that adversely affect us or our industry;
- speculation in the press or investment community;
- actions by institutional shareholders or hedge funds;
- changes in accounting principles;
- terrorist acts; and
- general market conditions, including factors unrelated to our performance.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management’s attention and resources.

Risks Related to Tax Laws

Failure to qualify as a REIT would cause us to be taxed as a corporation

If we failed to qualify as a REIT for federal income tax purposes, we would be taxed as a corporation. The Internal Revenue Service may challenge our qualification as a REIT for prior years, and new legislation, regulations, administrative interpretations or court decisions may change the tax laws with respect to qualification as a REIT or the federal tax consequences of such qualification. For any taxable year that we fail to qualify as a REIT, we would be subject to federal income tax on our taxable income at corporate rates, plus any applicable alternative minimum tax. In addition, unless entitled to relief under applicable statutory provisions, we would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost. This treatment would reduce our net earnings available for investment or distribution to shareholders because of the additional tax liability for the year or years involved. In addition, distributions would no longer qualify for the dividends paid deduction nor be required to be made in order to preserve REIT status. We might be required to borrow funds or to liquidate some of our investments to pay any applicable tax resulting from our failure to qualify as a REIT.

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Failure to make required distributions would subject us to income taxation

In order to qualify as a REIT, each year we must distribute to stockholders at least 90% of our taxable income (determined without regard to the dividend paid deduction and by excluding net capital gains). To the extent that we satisfy the distribution requirement, but distribute less than 100% of taxable income, we will be subject to federal corporate income tax on the undistributed income. In addition, we would incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any year are less than the sum of:

- 85% of ordinary income for that year;
- 95% of capital gain net income for that year; and
- 100% of undistributed taxable income from prior years.

Differences in timing between the recognition of income and the related cash receipts or the effect of required debt amortization payments could require us to borrow money or sell assets to pay out enough of the taxable income to satisfy the distribution requirement and to avoid corporate income tax and the 4% nondeductible excise tax in a particular year.

Complying with REIT requirements may cause us to forgo otherwise attractive opportunities or engage in marginal investment opportunities

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of income, the nature and diversification of assets, the amounts distributed to shareholders and the ownership of our stock. In order to meet these tests, we may be required to forgo attractive business or investment opportunities or engage in marginal investment opportunities. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. (Removed and Reserved).

Item 5. Other Information.

None.

Item 6. Exhibits.

(a) The following exhibits are filed as part of this report.

Exhibit Number	Exhibit Description
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 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from Mid-America Apartment Communities, Inc.’s Quarterly Report on Form 10-Q for the period ended March 31, 2011, filed with the SEC on May 5, 2011, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheet as of March 31, 2011 (Unaudited) and December 31, 2010; (ii) the Condensed Consolidated Statements of Operations for the three months ended March 31, 2011 (Unaudited) and 2010 (Unaudited); (iii) the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2011 (Unaudited) and 2010 (Unaudited); and (iv) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text (Unaudited).*

* Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed part of a registration statement, prospectus or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filings.

SIGNATURES

Pursuant to the requirements 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.

	MID-AMERICA APARTMENT COMMUNITIES, INC.
Date: May 5, 2011	/s/Albert M. Campbell, III Albert M. Campbell, III Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)