MID AMERICA APARTMENT COMMUNITIES INC
Form 424B5
July 10, 2003

Table of Contents

FILED PURSUANT TO

RULE 424 (B) (5)

REGISTRATION NO. 333-60285

PROSPECTUS SUPPLEMENT

(To prospectus dated September 9, 1998)

5,600,000 Shares

8.30% Series H Cumulative Redeemable Preferred Stock

(Liquidation Preference $25 Per Share)

Dividends on the 8.30% Series H Cumulative Redeemable Preferred Stock, par value $.01 per share, will be cumulative from (but excluding) the date of original issue and payable quarterly in arrears, beginning on September 23, 2003, at the rate of 8.30% of the liquidation preference per annum, or $2.075 per share of Series H Preferred Stock.

The shares of Series H Preferred Stock are not redeemable until August 11, 2008, after which we may redeem the shares at a redemption price of $25 per share of Series H Preferred Stock, plus any accumulated and unpaid dividends to and including the date of redemption. The shares of Series H Preferred Stock have no maturity date and will remain outstanding indefinitely unless redeemed.

No market currently exists for our Series H Preferred Stock. We intend to file an application to list the Series H Preferred Stock on the New York Stock Exchange under the symbol MAA PrH. We expect that trading on the NYSE will commence within 30 days after the initial delivery of the Series H Preferred Stock.

You should consider the risks that we have described in Additional Risk Factors beginning on page S-7 and in Risk Factors in the accompanying prospectus beginning on page 5 before buying shares of our Series H Preferred Stock.

	Per Share	Total
Public Offering Price	$ 25.00	$ 140,000,000
Underwriting discount(1)	$ .7875	$ 4,410,000
Proceeds, before expenses, to us	$ 24.2125	$ 135,590,000

(1) See Underwriting on page S-42.

The underwriters may purchase up to an additional 600,000 shares of Series H Preferred Stock from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover over-allotments. If the option is exercised in full, the total public offering price will be $155,000,000, the total underwriting discount will be $4,882,500 and the total proceeds, before expenses, to us will be $150,117,500.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of Series H Preferred Stock to purchasers on or before August 11, 2003.

RAYMOND JAMES

McDONALD INVESTMENTS INC.

MORGAN KEEGAN & COMPANY, INC.

STIFEL, NICOLAUS & COMPANY

INCORPORATED

BB&T CAPITAL MARKETS

ADVEST, INC.

The date of this prospectus supplement is July 9, 2003.

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

In this prospectus supplement, the terms we, us or our include Mid-America Apartment Communities, Inc., Mid-America Apartments, L.P. and their subsidiaries. Substantially all of our assets are held by, and all of our operations are conducted through, Mid-America Apartments, L.P., of which Mid-America Apartment Communities, Inc. is the sole general partner and owns an approximate 84.9% ownership interest as of May 31, 2003. Unless otherwise stated in this prospectus supplement, we have assumed throughout this prospectus supplement that the underwriters over-allotment option is not exercised.

You should rely on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we nor the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates or on other dates which are specified in those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary may not contain all of the information that is important to you. You should carefully read this entire prospectus supplement and the accompanying prospectus. You should also read the documents we have referred you to in Incorporation of Certain Information by Reference on page S-44.

Our Company

Mid-America Apartment Communities, Inc. is a Memphis, Tennessee-based real estate investment trust, or REIT. As of May 31, 2003, we owned, or had an ownership interest in, and operated 126 apartment communities containing 34,815 apartment units in 12 states. Our apartment communities appeal to middle and upper income residents primarily in large to mid-size cities in the southeastern United States and Texas. Approximately 75% of our apartment units are located in Tennessee, Georgia, Florida and Texas markets. As of May 31, 2003, our apartment communities had an average occupancy rate of 92.0%. We presently employ approximately 1,100 people. Currently our executive officers and directors beneficially own approximately 11.6% of our common stock.

Our strategic focus is to provide our residents high quality apartment units in attractive community settings, characterized by extensive landscaping and attention to aesthetic detail. We utilize our experience and expertise in maintenance, landscaping and management to provide highly competitive apartment communities, with a goal of maintaining high occupancy levels and increasing per unit average rentals. We manage expenses through our system of detailed management reporting and accountability in order to achieve increases in operating cash flow. We seek to increase operating cash flow and earnings per share to maximize shareholder value through a balanced strategy of internal and external growth.

In order to meet our strategic and financial objectives, we strive to:

- empower our property managers to adjust rents in response to local market conditions and to concentrate resident turnover in peak rental demand months;
- offer new services, including telephone and cable access, to residents to increase our revenue, and reduce our operating costs through initiatives such as the installation of individual apartment unit water and utility meters and billing for trash collection in certain apartment communities;
- maintain a highly competitive portfolio with attractive curb appeal through extensive landscaping and exterior improvements and a research-based program of selective property additions and dispositions;
- pursue joint venture relationships to generate additional fee income;
- compensate employees through performance-based compensation and stock ownership programs;

maintain a hands-on management style and flat organizational structure that emphasizes senior management s continued close contact with the market and employees; and

improve our cost of capital through refinancing, repurchasing and issuing debt, shares of common stock and preferred stock and by managing our interest rate risk.

Table of Contents

Our Markets

As of May 31, 2003, we owned, or had an ownership interest in, and operated 126 apartment communities containing 34,815 apartment units in 12 states.

	Units	Portfolio Concentration	Average Occupancy	Average Rental Rate
Tennessee				
Memphis (1)	4,917	14.1%	91.9%	$ 637.77
Nashville	1,399	4.0%	90.6%	$ 724.82
Chattanooga	943	2.7%	90.8%	$ 567.64
Jackson	664	1.9%	97.9%	$ 583.00
Tennessee Total	7,923	22.7%	92.0%	$ 640.20
Florida				
Jacksonville	3,130	9.0%	95.4%	$ 719.97
Tampa	1,120	3.2%	90.4%	$ 761.38
Other	2,518	7.2%	93.7%	$ 724.10
Florida Total	6,768	19.4%	93.9%	$ 728.36
Georgia				
Atlanta	2,116	6.1%	85.3%	$ 758.33
Columbus/LaGrange	1,509	4.3%	91.1%	$ 652.37
Augusta/Aiken/Savannah (3)	1,132	3.3%	94.3%	$ 630.81
Other	1,742	5.0%	93.7%	$ 660.37
Georgia Total	6,499	18.7%	90.5%	$ 685.26
Texas				
Dallas	2,356	6.8%	87.4%	$ 657.12
Austin	1,254	3.6%	93.5%	$ 636.96
Houston	1,310	3.8%	95.2%	$ 732.38
Texas Total	4,920	14.2%	91.0%	$ 672.02
South Carolina				
Greenville	1,492	4.3%	88.0%	$ 557.79
Other (3)	784	2.3%	83.7%	$ 684.18
South Carolina Total	2,276	6.6%	86.5%	$ 601.33
Mississippi (1)	1,673	4.8%	96.0%	$ 587.07
Kentucky (2)	1,548	4.4%	93.9%	$ 656.86

Alabama	952	2.7%	95.8%	$ 646.43
Arkansas	808	2.3%	93.9%	$ 621.89
North Carolina	738	2.1%	89.2%	$ 551.07
Ohio (2)	414	1.2%	90.1%	$ 679.35
Virginia	296	0.9%	96.3%	$ 727.40
Total Apartment Units	**34,815**	**100.0%**	**92.0%**	**$ 664.96**

(1) The Memphis, TN market includes two properties located in Southaven, MS.
(2) The Ohio market includes one property located in Florence, KY.
(3) The Augusta/Aiken/Savannah market includes two properties located in Aiken, SC.

Table of Contents

Recent Developments

Crow Joint Venture

In May 2002, we entered into an agreement of limited partnership with CH Realty II/MAA, L.L.C., or Crow Holdings, establishing Mid-America/CH Realty Limited Partnership, or the Crow Joint Venture, to pursue attractive multifamily property investment opportunities. The Crow Joint Venture has sought to acquire multifamily properties located in major and select secondary markets throughout the southeastern United States and Texas. Under the joint venture partnership agreement, we have agreed to contribute up to $16.7 million of capital in exchange for a 33 $^{1}/3$% interest in the Crow Joint Venture to fund the equity portion of multifamily property investments that are mutually acceptable to us and Crow Holdings. We provide acquisition, redevelopment and property management services to the Crow Joint Venture and receive a property management fee for our services equal to 4% of gross revenue from each property in the Crow Joint Venture.

Through the date of this prospectus supplement, the Crow Joint Venture has acquired three apartment properties for a total of $75 million, in which we have invested $8.7 million of our equity commitment. These properties, totaling 1,048 units, are located in our Atlanta, Dallas, and Jacksonville markets.

Recent Acquisitions and Dispositions

In May 2003, we acquired for $21.5 million Jefferson Pines, a 309-unit apartment community located in Houston, Texas. Jefferson Pines, built in 1999, is in an upscale and growing submarket of northwest Houston. As of May 31, 2003, the property had an occupancy rate of 94.2%.

We have a contract to sell The Crossings, an 80-unit apartment community in Memphis, for $4.6 million. The transaction is expected to close within 60 days following the date of this prospectus supplement.

Recent Financing Activity

In August 2002, we entered into an amended credit facility with Fannie Mae, increasing the combined total available credit to $550 million from $300 million. The terms are generally similar to our prior Fannie Mae facility and include a five-year base term and interest rate floating at approximately 60 to 65 basis points over LIBOR, with an option to extend the term for five more years at then-current pricing. Since October 2002, we have added 33 properties to the collateral base for this facility through the refinancing of existing properties. With the last refinancing, the total facility was increased to $551.8 million.

In April 2003, we refinanced a $34 million fixed rate loan with Union Planters Bank, N.A., replacing it with a $40 million floating rate loan at 116 basis points over 3-month LIBOR. We executed a $25 million notional amount forward swap, effective December 1, 2003 and maturing in March 2009, fixing the all-in rate on $25 million of the Union Planters loan at 5.1%.

On May 30, 2003, using our Fannie Mae tax-free bond credit facility, we refinanced $8 million of tax-free bonds, incurring prepayment penalties of $157,500. We fixed the rate through a swap maturing in May 2008 at an all-in rate of 3.4%.

Table of Contents

Consolidated Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

The consolidated ratio of earnings to combined fixed charges and preferred stock dividends for each of the periods indicated is as follows:

	Three Months Ended March 31,	Year Ended December 31,				
	2003	2002	2001	2000	1999	1998
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends	1.0x	1.0x	1.0x	1.0x	1.1x	1.2x

For the purpose of calculating the consolidated ratio of earnings to combined fixed charges and preferred stock dividends, earnings consist of net income (loss) before gain on disposition of assets, extraordinary items and allocation to minority interests, plus fixed charges less capitalized interest. Fixed charges consist of interest expense, capitalized interest, amortized premiums, discounts and capitalized expenses relating to debt and an estimate of the interest component of rent expense.

Table of Contents

The Offering

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Series H Preferred Stock, see Description of the Series H Preferred Stock beginning on page S-19 in this prospectus supplement.

Issuer	Mid-America Apartment Communities, Inc.
Securities Offered	5,600,000 shares of 8.30% Series H Cumulative Redeemable Preferred Stock, par value $.01 per share. The underwriters have the option to purchase from us up to 600,000 additional shares of Series H Preferred Stock to cover over-allotments, if any.
Dividends	Investors will be entitled to receive preferential cumulative cash dividends on the Series H Preferred Stock at a rate of 8.30% per annum of the $25 per share liquidation preference (equivalent to $2.075 per annum per share). Beginning on September 23, 2003, dividends on the Series H Preferred Stock will be payable quarterly in arrears on or about the 23rd calendar day of March, June, September and December. The first dividend will be payable on September 23, 2003. Dividends on the Series H Preferred Stock will be cumulative from (but excluding) the date of original issuance, which is expected to be August 11, 2003.
Maturity	The Series H Preferred Stock does not have any maturity date, and we are not required to redeem the Series H Preferred Stock. In addition, we are not required to set aside funds to redeem the Series H Preferred Stock. Accordingly, the shares of Series H Preferred Stock will remain outstanding indefinitely unless we decide in our sole discretion to redeem them.
Optional Redemption	We may not redeem the Series H Preferred Stock prior to August 11, 2008, except in limited circumstances relating to our continuing qualification as a REIT. On and after August 11, 2008, we may, at our option, redeem the Series H Preferred Stock, in whole or in part, at any time or from time to time, by payment of $25 per share, plus any accumulated and unpaid dividends to and including the date of redemption.
Liquidation Preference	If we liquidate, dissolve or wind up, holders of the Series H Preferred Stock will have the right to receive the $25 per share liquidation preference, plus any accumulated and unpaid dividends to and including the date of payment, but without interest, before any payment is made to the holders of our common stock or any other class or series of our capital stock rating junior to the Series H Preferred Stock.
Rank	With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, assuming redemption of all outstanding shares of Series A and Series C Preferred Stock, the Series H Preferred Stock will be equal in rank with our 8 $^{7}/8$%

Table of Contents

	Series B Cumulative Preferred Stock, $25 liquidation preference per share; our 9 ¼% Series F Cumulative Redeemable Preferred Stock, $25 liquidation preference per share; and our 8 5/8% Series G Cumulative Redeemable Preferred Stock, $25 liquidation preference per share; senior to our common stock, par value $.01 per share and junior to all our existing and future indebtedness.
Voting Rights	Holders of Series H Preferred Stock generally have no voting rights. However, if dividends on any shares of the Series H Preferred Stock are in arrears for 18 or more months, holders of the Series H Preferred Stock (voting together as a single class with holders of shares of any series of our preferred stock equal in rank with the Series H Preferred Stock upon which like voting rights have been conferred) will have the right to elect two additional directors to serve on our Board of Directors until such dividend arrearage is eliminated. In addition, we may not change the designations, rights, preferences, privileges or limitations in respect of the Series H Preferred Stock in a manner that would be materially adverse to the rights of holders of the Series H Preferred Stock without the affirmative vote of at least two-thirds of the shares of Series H Preferred Stock then outstanding.
Restrictions on Ownership and Transfer	Our charter states that no person, directly or indirectly, may own more than 9.9% in value of our outstanding capital stock. Shares of Series H Preferred Stock acquired or transferred in breach of this limitation will be automatically deemed held in trust for the exclusive benefit of the transferees to whom that capital stock may be transferred without violating the 9.9% ownership limitation. In such event the purchaser-transferee shall not be entitled to vote or to participate in dividends or other distributions with respect to such stock. The Series H Preferred Stock is subject to the general restrictions on ownership and transferability described under Description of Capital Stock Ownership Limitations on page 18 in the accompanying prospectus.
Conversion	Shares of Series H Preferred Stock are not convertible into or exchangeable for any other securities or property.
Use of Proceeds	We estimate that our net proceeds from the offering will be approximately $135.2 million (approximately $149.8 million if the underwriters over-allotment option is exercised in full). We intend to use the net proceeds from the offering of Series H Preferred Stock, together with $4.8 million of additional borrowings and $421,500 of operating cash flow, to redeem all of our issued and outstanding shares of Series A and Series C Preferred Stock and 1,600,000 shares of our Series B Preferred Stock, comprising 82.5% of 1,938,830 shares of Series B Preferred Stock presently issued and outstanding.
Listing	We intend to file an application to list the Series H Preferred Stock on the New York Stock Exchange under the symbol MAA PrH. If the application is approved, trading of the Series H Preferred Stock on the NYSE is expected to begin within 30 days after the date of initial delivery of the Series H Preferred Stock.

ADDITIONAL RISK FACTORS

Before you invest in the Series H Preferred Stock, you should consider carefully the risk factors listed below together with all of the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the Risk Factors beginning on page 5 in the accompanying prospectus.

The market value of the Series H Preferred Stock could be substantially affected by various factors.

The Series H Preferred Stock is a new issue of securities with no established trading market. We intend to file an application to list the Series H Preferred Stock on the NYSE. However, an active trading market on the NYSE for the Series H Preferred Stock may not develop or last, in which case the trading price of the Series H Preferred Stock could be adversely affected. If an active trading market does develop on the NYSE, the Series H Preferred Stock may trade at prices higher or lower than its initial offering price. The trading price of the Series H Preferred Stock will depend on and be impacted by many factors, including:

- changes in prevailing interest rates;
- the market for similar securities;
- the market for alternative investments;
- changes in the tax treatment of dividends;
- general economic conditions; and
- our financial condition, performance and prospects.

We have been advised by the underwriters that they intend to make a market in the Series H Preferred Stock pending development of a trading market on the NYSE, but they are not obligated to do so and may discontinue market making at any time without notice.

Our ability to pay distributions on the Series H Preferred Stock may be limited.

Because we conduct substantially all of our operations through Mid-America Apartments, L.P., our ability to make distributions on the Series H Preferred Stock will depend almost entirely on payments and distributions received on our approximate 84.9% interest in Mid-America Apartments, L.P. Moreover, the terms of some of our debt limits the ability of Mid-America Apartments, L.P. to pay distributions and our ability to pay dividends on our equity securities, including the Series H Preferred Stock, unless we meet certain financial tests. As a result, if we are unable to meet the financial tests, we may not be able to pay dividends on the Series H Preferred Stock in one or more periods.

Our issuance of additional preferred stock equal in rank with or senior to the Series H Preferred Stock could dilute the interests of the holders of the Series H Preferred Stock.

Our charter currently authorizes the issuance of up to 20,000,000 shares of preferred stock in one or more series. As of the date of this prospectus supplement, there are issued and outstanding 2,000,000 shares of Series A Preferred Stock, 1,938,830 shares of Series B Preferred Stock, 2,000,000 shares of Series C Preferred Stock, 474,500 shares of Series F Preferred Stock, and 400,000 shares of Series G Preferred Stock, all of which are equal in rank with the Series H Preferred Stock with respect to the payment of dividends and amounts on liquidation, dissolution and winding up. An additional 2,525,500 shares of Series F Preferred Stock have been designated by our Board of Directors, but are unissued. Our Board of Directors has designated 6,200,000 shares of preferred stock as Series H Preferred Stock. Additional shares of preferred stock may be issued in the future upon authorization by our Board of Directors. The issuance of additional shares of a prior or newly-designated series of preferred stock equal in rank with or senior to the Series H Preferred Stock could have the effect of diluting the interests of holders of the Series H Preferred Stock. None of the provisions of our charter relating to the Series H Preferred Stock afford the holders of the Series H Preferred Stock protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all of our property or business, that might adversely affect the holders of the Series H Preferred Stock. Upon completion of this offering, the net proceeds will be used to redeem all of the issued and outstanding shares of our Series A and Series C Preferred Stock and 1,600,000 shares of our Series B Preferred Stock, comprising 82.5% of 1,958,830 shares of Series B Preferred Stock presently issued and outstanding. See Use of Proceeds below.

Increasing insurance costs may negatively impact our financial condition.

Because we have substantial real estate holdings, the cost of insuring our properties is a significant item of expense to us. Due in part to the events of September 11, 2001, and other recent disasters, premiums for property and casualty insurance have risen significantly in recent months. In addition, the effects of September 11, 2001 made it more likely that lenders will begin to require us to carry insurance against acts of terrorism on our properties. The cost of such insurance is likely to be high. If the cost of property and casualty insurance continues to rise, or if our lenders require us to begin insuring our properties against terrorism, our cost of doing business would likely rise, which may in turn negatively impact our financial condition and results of operations.

Adverse legislative or regulatory tax changes could reduce the market price of the Series H Preferred Stock.

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect Mid-America or its shareholders. On May 28, 2003, the President signed into law new tax legislation that reduces the federal tax rate on both dividends and long-term capital gains for individuals to 15% until 2008. Because REITs generally are not subject to corporate income tax, this reduced tax rate generally will not apply to ordinary REIT dividends, which will continue to be taxed at the higher tax rates applicable to ordinary income. However, the new 15% tax rate will apply to (i) long-term capital gains recognized on the disposition of REIT shares, (ii) REIT capital gain distributions (except to the extent attributable to real estate depreciation, in which case such distributions would continue to be subject to a 25% tax rate), (iii) REIT dividends attributable to dividends received by the REIT from non-REIT corporations, such as taxable REIT subsidiaries, and (iv) REIT dividends attributable to income that was subject to corporate income tax at the REIT level (e.g., to the extent that a REIT distributes less that 100% of its taxable income). The new tax legislation could cause shares in non-REIT corporations to be a more attractive investment to individual investors than shares in REITs and could have an adverse effect on the market price of the Series H Preferred Stock.

USE OF PROCEEDS

We estimate the net proceeds from the sale of the Series H Preferred Stock to be approximately $135.2 million after deducting underwriting discounts and paying offering expenses of approximately $350,000 (approximately $149.8 million if the underwriters over-allotment option is exercised in full). We intend to use the net proceeds, together with $4.8 million of additional borrowings and $421,500 of operating cash flow, to redeem all of the issued and outstanding shares of our Series A and Series C Preferred Stock and 1,600,000 shares of our Series B Preferred Stock, comprising 82.5% of 1,938,830 shares of Series B Preferred Stock presently issued and outstanding.

Table of Contents

CAPITALIZATION

The following table sets forth our capitalization on March 31, 2003 and as adjusted to give effect to the issuance of the Series H Preferred Stock and the application of the net proceeds, together with $4.8 million of additional borrowings and $421,500 of operating cash flow, to redeem all of the issued and outstanding shares of our Series A and Series C Preferred Stock and 1,600,000 shares of our Series B Preferred Stock, comprising 82.5% of 1,938,830 shares of Series B Preferred Stock presently issued and outstanding. The information set forth in the following table should be read in connection with, and is qualified in its entirety by reference to, the financial statements and notes thereto incorporated by reference in this prospectus supplement and the accompanying prospectus.

	March 31, 2003	
	Historical	As Adjusted
	(unaudited)	
	(Dollars in thousands)	
Notes payable	$ 825,776	$ 830,536
Minority interest	31,906	31,906
Shareholders equity:		
Preferred stock, $.01 par value per share, 20,000,000 shares authorized		
No shares of 8.30% Series H Cumulative Redeemable Preferred Stock, Liquidation Preference $25 per share, issued and outstanding, 5,600,000 shares issued and outstanding as adjusted		56
400,000 shares of 8 5/8% Series G Cumulative Redeemable Preferred Stock, Liquidation Preference $25 per share, issued and outstanding	4	4
3,000,000 shares of 9 1/4% Series F Cumulative Redeemable Preferred Stock, Liquidation Preference $25 per share, authorized, 474,500 shares issued and outstanding	5	5
2,000,000 shares of 9 3/8		