CAMDEN PROPERTY TRUST
Form 10-Q
May 07, 2010

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

(Mark One)

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

**For the quarterly period ended March 31, 2010**

**OR**

o **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: 1-12110**

**CAMDEN PROPERTY TRUST**

(Exact Name of Registrant as Specified in Its Charter)

| **Texas** | **76-6088377** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| **3 Greenway Plaza, Suite 1300 Houston, Texas** | **77046** |
|---|---|
| *(Address of principle executive offices)* | *(Zip Code)* |

(713) 354-2500

*(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. Yes þ No o

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). Yes o No o Not applicable þ*

* As of May 7, 2010, the registrant has not been phased in to the interactive data requirements.

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 definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

| Large accelerated filer þ | Accelerated filer o | Non-accelerated filer o | Smaller Reporting Company o |
|---|---|---|---|

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

On May 3, 2010, 65,848,542 common shares of the registrant were outstanding.

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**PART I. FINANCIAL INFORMATION**
**Item 1. Financial Statements**

**CAMDEN PROPERTY TRUST**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(Unaudited)**

| *(in thousands, except per share amounts)* | March 31, 2010 | December 31, 2009 |
|---|---|---|
| **Assets** | | |
| Real estate assets, at cost | | |
| Land | $ 748,604 | $ 747,921 |
| Buildings and improvements | 4,527,523 | 4,512,124 |
| | 5,276,127 | 5,260,045 |
| Accumulated depreciation | (1,191,604) | (1,149,056) |
| Net operating real estate assets | 4,084,523 | 4,110,989 |
| Properties under development, including land | 196,371 | 201,581 |
| Investments in joint ventures | 42,994 | 43,542 |
| Total real estate assets | 4,323,888 | 4,356,112 |
| Accounts receivable affiliates | 32,657 | 36,112 |
| Notes receivable affiliates | 46,118 | 45,847 |
| Other assets, net | 92,983 | 102,114 |
| Cash and cash equivalents | 28,553 | 64,156 |
| Restricted cash | 3,680 | 3,658 |
| Total assets | $ 4,527,879 | $ 4,607,999 |
| **Liabilities and equity** | | |
| Liabilities | | |
| Notes payable | | |
| Unsecured | $ 1,590,473 | $ 1,645,926 |
| Secured | 980,188 | 979,273 |
| Accounts payable and accrued expenses | 69,858 | 74,420 |
| Accrued real estate taxes | 17,005 | 23,241 |
| Distributions payable | 33,403 | 33,025 |
| Other liabilities | 138,136 | 145,176 |
| Total liabilities | 2,829,063 | 2,901,061 |
| Commitments and contingencies | | |
| Perpetual preferred units | 97,925 | 97,925 |
| Equity | | |
| | 778 | 770 |

| | | |
|---|---|---|
| Common shares of beneficial interest; $0.01 par value per share; 100,000 shares authorized; 80,567 and 79,543 issued; 77,793 and 76,996 outstanding, respectively | | |
| Additional paid-in capital | 2,548,722 | 2,525,656 |
| Distributions in excess of net income attributable to common shareholders | (520,798) | (492,571) |
| Notes receivable secured by common shares | (101) | (101) |
| Treasury shares, at cost (12,879 and 12,897 shares, respectively) | (461,517) | (462,188) |
| Accumulated other comprehensive loss | (42,093) | (41,155) |
| Total common equity | 1,524,991 | 1,530,411 |
| Noncontrolling interests | 75,900 | 78,602 |
| Total equity | 1,600,891 | 1,609,013 |
| Total liabilities and equity | $ 4,527,879 | $ 4,607,999 |

See Notes to Condensed Consolidated Financial Statements.

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**CAMDEN PROPERTY TRUST**
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**
**(Unaudited)**

| *(in thousands, except per share amounts)* | Three Months Ended March 31, 2010 | Three Months Ended March 31, 2009 |
|---|---|---|
| **Property revenues** | | |
| Rental revenues | $ 131,161 | $ 136,500 |
| Other property revenues | 21,045 | 20,532 |
| Total property revenues | 152,206 | 157,032 |
| **Property expenses** | | |
| Property operating and maintenance | 44,613 | 42,304 |
| Real estate taxes | 18,445 | 18,601 |
| Total property expenses | 63,058 | 60,905 |
| **Non-property income** | | |
| Fee and asset management | 1,838 | 2,031 |
| Interest and other income | 3,045 | 735 |
| Income (loss) on deferred compensation plans | 3,482 | (4,152) |
| Total non-property income (loss) | 8,365 | (1,386) |
| **Other expenses** | | |
| Property management | 5,183 | 4,929 |
| Fee and asset management | 1,194 | 1,135 |
| General and administrative | 7,404 | 8,232 |
| Interest | 31,555 | 32,245 |
| Depreciation and amortization | 43,813 | 43,980 |
| Amortization of deferred financing costs | 726 | 817 |
| Expense (benefit) on deferred compensation plans | 3,482 | (4,152) |
| Total other expenses | 93,357 | 87,186 |
| Gain on early retirement of debt | | 166 |
| Equity in income (loss) of joint ventures | (105) | 408 |
| **Income from continuing operations before income taxes** | 4,051 | 8,129 |
| Income tax expense current | (270) | (299) |
| **Income from continuing operations** | 3,781 | 7,830 |
| Income from discontinued operations | | 675 |
| **Net income** | 3,781 | 8,505 |
| Less (income) loss allocated to noncontrolling interests from continuing operations | 254 | (521) |

| | | | | |
|---|---|---|---|---|
| Less income allocated to perpetual preferred units | | (1,750) | | (1,750) |
| **Net income attributable to common shareholders** | $ | 2,285 | $ | 6,234 |

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**CAMDEN PROPERTY TRUST**
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**
**(Unaudited)**

| *(in thousands, except per share amounts)* | Three Months Ended March 31, 2010 | 2009 |
|---|---|---|
| **Earnings per share basic** | | |
| Income from continuing operations attributable to common shareholders | $ 0.03 | $ 0.10 |
| Income from discontinued operations, attributable to common shareholders | | 0.01 |
| Net income attributable to common shareholders | $ 0.03 | $ 0.11 |
| **Earnings per share diluted** | | |
| Income from continuing operations attributable to common shareholders | $ 0.03 | $ 0.10 |
| Income from discontinued operations, attributable to common shareholders | | 0.01 |
| Net income attributable to common shareholders | $ 0.03 | $ 0.11 |
| **Distributions declared per common share** | $ 0.45 | $ 0.70 |
| **Weighted average number of common shares outstanding** | 66,475 | 55,552 |
| **Weighted average number of common and common dilutive equivalent shares outstanding** | 68,169 | 56,047 |
| **Net income attributable to common shareholders** | | |
| Income from continuing operations | $ 3,781 | $ 7,830 |
| Less (income) loss allocated to noncontrolling interests from continuing operations | 254 | (521) |
| Less income allocated to perpetual preferred units | (1,750) | (1,750) |
| Income from continuing operations attributable to common shareholders | 2,285 | 5,559 |
| Income from discontinued operations attributable to common shareholders | | 675 |
| Net income attributable to common shareholders | $ 2,285 | $ 6,234 |
| **Condensed Consolidated Statements of Comprehensive Income:** | | |
| **Net income** | $ 3,781 | $ 8,505 |
| **Other comprehensive income (loss)** | | |
| Unrealized loss on cash flow hedging activities | (6,817) | (2,936) |
| Reclassification of net losses on cash flow hedging activities | 5,879 | 5,276 |
| **Comprehensive income** | 2,843 | 10,845 |
| Less (income) loss allocated to noncontrolling interests from continuing operations | 254 | (521) |
| Less income allocated to perpetual preferred units | (1,750) | (1,750) |

| | | | | |
|---|---|---|---|---|
| **Comprehensive income attributable to common shareholders** | $ | 1,347 | $ | 8,574 |

See Notes to Condensed Consolidated Financial Statements.

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**CAMDEN PROPERTY TRUST**
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**
**(Unaudited)**

| | **Common Shareholders** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *thousands, except per share amounts)* | Common shares of beneficial interest | Additional paid-in capital | Distributions in excess of net income | Notes receivable secured by common shares | Treasury shares, at cost | Accumulated other comprehensive loss | Noncontrolling interests | Total equity | Perpet prefer unit |
| **uary 1, 2010** | $ 770 | $ 2,525,656 | $ (492,571) | $ (101) | $ (462,188) | $ (41,155) | $ 78,602 | $ 1,609,013 | $ 97,9 |
| income (loss) | | | 2,285 | | | | (254) | 2,031 | 1,7 |
| er comprehensive income (loss) | | | | | | (938) | | (938) | |
| nmon shares issued | 4 | 17,196 | | | | | | 17,200 | |
| share awards | 4 | 3,169 | | | | | | 3,173 | |
| ployee stock purchase plan | | (180) | | | 671 | | | 491 | |
| re awards placed into deferred plans | (2) | 2 | | | | | | | |
| nmon share options exercised | | 1,731 | | | | | | 1,731 | |
| nversions and redemptions of operating nership units | 2 | 1,148 | | | | | (1,150) | | |
| tributions to perpetual preferred units | | | | | | | | | (1,7 |
| h distributions to equity holders | | | (30,512) | | | | (1,298) | (31,810) | |
| **rch 31, 2010** | $ 778 | $ 2,548,722 | $ (520,798) | $ (101) | $ (461,517) | $ (42,093) | $ 75,900 | $ 1,600,891 | $ 97,9 |

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**CAMDEN PROPERTY TRUST**
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**
**(Unaudited)**

| | **Common Shareholders** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| thousands, except per share amounts) | Common shares of beneficial interest | Additional paid-in capital | Distributions in excess of net income attributable to common shareholders | Notes receivable secured by common shares | Treasury shares | Accumulated other comprehensive loss | Noncontrolling interests | Total equity | Perpet prefer unit |
| **uary 1, 2009** | $ 660 | $ 2,237,703 | $ (312,309) | $ (295) | $ (463,209) | $ (51,056) | $ 89,862 | $ 1,501,356 | $ 97,9 |
| income | | | 6,234 | | | | 521 | 6,755 | 1,7 |
| er comprehensive income | | | | | | 2,340 | | 2,340 | |
| share awards | 3 | 2,752 | | | | | | 2,755 | |
| ployee stock purchase plan | | (79) | | | 464 | | | 385 | |
| payment of notes receivable secured by mmon shares, net | | | | 4 | | | | 4 | |
| re awards placed into deferred plans | 2 | (2) | | | | | | | |
| mmon share options exercised | | 155 | | | | | | 155 | |
| nversions and redemptions of operating tnership units | 1 | 1,763 | | | | | (1,780) | (16) | |
| mmon shares repurchased | | | | | (6) | | | (6) | |
| chase of noncontrolling interests | | 648 | | | | | (748) | (100) | |
| tributions to perpetual preferred units | | | | | | | | | (1,7 |
| h distributions to equity holders | | | (39,406) | | | | (2,124) | (41,530) | |
| **rch 31, 2009** | $ 666 | $ 2,242,940 | $ (345,481) | $ (291) | $ (462,751) | $ (48,716) | $ 85,731 | $ 1,472,098 | $ 97,9 |

See Notes to Condensed Consolidated Financial Statements.

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**CAMDEN PROPERTY TRUST**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**

| *(in thousands)* | Three Months Ended March 31, 2010 | Three Months Ended March 31, 2009 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 3,781 | $ 8,505 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization, including discontinued operations | 43,507 | 43,060 |
| Distributions of income from joint ventures | 1,336 | 1,427 |
| Equity in (income) loss of joint ventures | 105 | (408) |
| Interest from notes receivable affiliates | (102) | (36) |
| Share-based compensation | 3,130 | 2,160 |
| Gain on early retirement of debt | | (166) |
| Amortization of deferred financing costs | 726 | 817 |
| Accretion of discount on unsecured notes payable | 127 | 142 |
| Net change in operating accounts | (10,858) | (4,330) |
| Net cash from operating activities | $ 41,752 | $ 51,171 |
| **Cash flows from investing activities** | | |
| Development and capital improvements | $ (11,063) | $ (18,620) |
| Payments received on notes receivable other | | 8,710 |
| Increase in notes receivable affiliates | (175) | |
| Investments in joint ventures | (281) | (310) |
| Other | (176) | 1,161 |
| Net cash from investing activities | $ (11,695) | $ (9,059) |
| **Cash flows from financing activities** | | |
| Net increase in unsecured line of credit and short-term borrowings | $ | $ 96,000 |
| Repayment of notes payable | (56,120) | (100,009) |
| Proceeds from notes payable | 1,761 | 4,116 |
| Proceeds from issuance of common shares | 17,200 | |
| Distributions to common shareholders, perpetual preferred units and noncontrolling interests | (33,155) | (43,155) |
| Common share options exercised | 894 | |
| Payment of deferred financing costs | (343) | (465) |
| Net decrease in accounts receivable affiliates | 3,455 | 917 |
| Other | 648 | 333 |
| Net cash from financing activities | $ (65,660) | $ (42,263) |
| Net decrease in cash and cash equivalents | (35,603) | (151) |
| **Cash and cash equivalents, beginning of period** | 64,156 | 7,407 |

| | | | | |
|---|---|---|---|---|
| **Cash and cash equivalents, end of period** | $ | 28,553 | $ | 7,256 |
| | | | | |
| **Supplemental information** | | | | |
| Cash paid for interest, net of interest capitalized | $ | 23,006 | $ | 27,955 |
| | | | | |
| **Supplemental schedule of noncash investing and financing activities** | | | | |
| Distributions declared but not paid | $ | 33,403 | $ | 43,136 |
| Value of shares issued under benefit plans, net of cancellations | | 13,709 | | 7,779 |
| Conversion of operating partnership units to common shares | | 1,150 | | 1,756 |
| Accrual associated with construction and capital expenditures | | 2,261 | | 2,863 |

See Notes to Condensed Consolidated Financial Statements.

**CAMDEN PROPERTY TRUST**
**Notes to Condensed Consolidated Financial Statements**
**(Unaudited)**

**1. Description of Business**

*Business*. Formed on May 25, 1993, Camden Property Trust, a Texas real estate investment trust ( REIT ), is engaged in the ownership, development, construction, and management of multifamily apartment communities. Our multifamily apartment communities are referred to as communities, multifamily communities, properties, or multifamily properti in the following discussion. As of March 31, 2010, we owned interests in or operated 185 multifamily properties comprising 63,658 apartment homes across the United States. In addition, we own land parcels we may develop into multifamily apartment communities.

**2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements**

*Principles of Consolidation*. Our condensed consolidated financial statements include our accounts and the accounts of other subsidiaries and joint ventures (including partnerships and limited liability companies) over which we have control. All intercompany transactions, balances, and profits have been eliminated in consolidation. Investments acquired or created are continuously evaluated based on the accounting guidance relating to variable interest entities ( VIEs ), which requires the consolidation of VIEs in which we are considered to be the primary beneficiary. If the investment is determined not to be a VIE, then the investment is evaluated for consolidation (primarily using a voting interest model) under the remaining consolidation guidance relating to real estate. If we are the general partner in a limited partnership, or manager of a limited liability company, we also consider the consolidation guidance relating to the rights of limited partners or non-managing members, as the case may be, to assess whether any rights held by the limited partners or non-managing members, as the case may be, overcome the presumption of control by us.

*Interim Financial Reporting*. We have prepared these financial statements in accordance with accounting principles generally accepted in the United States of America ( GAAP ) for interim financial statements and the applicable rules and regulations of the Securities and Exchange Commission ( SEC ). Accordingly, these statements do not include all information and footnote disclosures normally included for complete financial statements. While we believe the disclosures presented are adequate for interim reporting, these interim financial statements should be read in conjunction with the audited financial statements and notes included in our 2009 Form 10-K. In the opinion of management, all adjustments and eliminations, consisting of normal recurring adjustments, necessary for a fair representation of our financial statements have been included. Operating results for the three months ended March 31, 2010 are not necessarily indicative of the results which may be expected for the full year.

*Asset Impairment*. Long-lived assets are reviewed for impairment annually or whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment exists if estimated future undiscounted cash flows associated with long-lived assets are not sufficient to recover the carrying value of such assets. We consider projected future discounted cash flows, trends, strategic decisions regarding future development plans, and other factors in our assessment of whether impairment conditions exist. When impairment exists, the long-lived asset is adjusted to its fair value. While we believe our estimates of future cash flows are reasonable, different assumptions regarding a number of factors, including market rents, economic conditions, and occupancies, could significantly affect these estimates. In estimating fair value, management uses appraisals, management estimates, and discounted cash flow calculations which maximize inputs from a marketplace participant s perspective. In addition, we evaluate our investments in joint ventures and mezzanine construction financing and if, with respect to investments, we believe there is an other than temporary decline in market value, or if, with respect to mezzanine loans, it is probable we will not collect all scheduled amounts due in accordance with the terms, we will record an impairment charge based on these evaluations. In general, we provide mezzanine loans to affiliated joint ventures constructing or operating multifamily assets. While we believe it is currently probable we will collect all scheduled amounts due with respect to these mezzanine loans, current market conditions related to credit markets and real estate market fundamentals inject a significant amount of uncertainty into the environment and any further adverse economic or market development may cause us to re-evaluate our conclusions, and could result in material impairment charges with respect to our mezzanine loans.

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The value of our properties under development depends on market conditions, including estimates of the project start date as well as estimates of demand for multifamily communities. We have reviewed market trends and other marketplace information and have incorporated this information as well as our current outlook into the assumptions we use in our impairment analyses. Due to, among other factors, the judgment and assumptions applied in the impairment analyses and the fact limited market information regarding the value of comparable land exists at this time, it is possible actual results could differ substantially from those estimated.

We believe the carrying value of our operating real estate assets, properties under development, and land is currently recoverable. However, if market conditions deteriorate beyond our current expectations or if changes in our development strategy significantly affect any key assumptions used in our fair value calculations, we may need to take material charges in future periods for impairments related to existing assets. Any such material non-cash charges would have an adverse effect on our consolidated financial position and results of operations.

*Cash and Cash Equivalents*. All cash and investments in money market accounts and other highly liquid securities with a maturity of three months or less at the date of purchase are considered to be cash and cash equivalents. We maintain the majority of our cash and cash equivalents at major financial institutions in the United States and deposits with these financial institutions may exceed the amount of insurance provided on such deposits; however, we regularly monitor the financial stability of these financial institutions and believe we are not exposed to any significant default risk.

*Cost Capitalization*. Real estate assets are carried at cost plus capitalized carrying charges. Carrying charges are primarily interest and real estate taxes which are capitalized as part of properties under development. Capitalized interest is generally based on our weighted average unsecured interest rate. Most transaction and restructuring costs associated with the acquisition of real estate assets are expensed. Expenditures directly related to the development and improvement of real estate assets are capitalized at cost as land and buildings and improvements. Indirect development costs, including salaries and benefits and other related costs directly attributable to the development of properties, are also capitalized. All construction and carrying costs are capitalized and reported in the balance sheet as properties under development until the apartment homes are substantially completed. Upon substantial completion of the apartment homes, the total cost for the apartment homes and the associated land is transferred to buildings and improvements and land, respectively.

As discussed above, carrying charges are principally interest and real estate taxes capitalized as part of properties under development and buildings and improvements. Capitalized interest was approximately $1.3 million for the three months ended March 31, 2010, and approximately $2.4 million for the three months ended March 31, 2009. Capitalized real estate taxes were approximately $0.3 million for the three months ended March 31, 2010, and approximately $0.6 million for the three months ended March 31, 2009.

Where possible, we stage our construction to allow leasing and occupancy during the construction period, which we believe minimizes the duration of the lease-up period following completion of construction. Our accounting policy related to properties in the development and leasing phase is to expense all operating expenses associated with completed apartment homes. We capitalize renovation and improvement costs we believe extend the economic lives of depreciable property. Capital expenditures subsequent to initial construction are capitalized and depreciated over their estimated useful lives.

Depreciation and amortization is computed over the expected useful lives of depreciable property on a straight-line basis with lives generally as follows:

| | Estimated Useful Life |
|---|---|
| Buildings and improvements | 5-35 years |
| Furniture, fixtures, equipment, and other | 3-20 years |
| Intangible assets (in-place leases and above and below market leases) | underlying lease term |

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*Derivative Financial Instruments.* Derivative financial instruments are recorded in the condensed consolidated balance sheet at fair value and we do not apply master netting for financial reporting purposes. Accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows or other types of forecasted transactions are cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes attributable to the earnings effect of the hedged transactions. We may enter into derivative contracts which are intended to economically hedge certain of our risks, even though hedge accounting does not apply or we elect not to apply hedge accounting.

*Income Recognition*. Our rental and other property revenue is recorded when due from residents and is recognized monthly as it is earned. Other property revenue consists primarily of utility rebillings and administrative, application, and other transactional fees charged to our residents. Our apartment homes are rented to residents on lease terms generally ranging from six to fifteen months, with monthly payments due in advance. All sources of income, including from interest and fee and asset management income, are recognized as earned. Nine of our properties are subject to rent control. Operations of multifamily properties acquired are recorded from the date of acquisition in accordance with the acquisition method of accounting. In management s opinion, due to the number of residents, the types and diversity of submarkets in which the properties operate, and the collection terms, there is no significant concentration of credit risk.

*Reportable Segments*. Our multifamily communities are geographically diversified throughout the United States, and management evaluates operating performance on an individual property level. As each of our apartment communities has similar economic characteristics, residents, and products and services, our apartment communities have been aggregated into one reportable segment. Our multifamily communities generate rental revenue and other income through the leasing of apartment homes, which comprised approximately 96.9% and 98.3% of our total property revenues and total non-property income, excluding income (loss) on deferred compensation plans, for the three months ended March 31, 2010 and 2009, respectively.

*Use of Estimates*. In the application of GAAP, management is required to make estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements, results of operations during the reporting periods, and related disclosures. Our more significant estimates include estimates supporting our impairment analysis related to the carrying values of our real estate assets, estimates of the useful lives of our assets, estimates related to the valuation of our investments in joint ventures and mezzanine financing, and estimates of expected losses of potential variable interest entities. These estimates are based on historical experience and other assumptions believed to be reasonable under the circumstances. Future events rarely develop exactly as forecasted, and the best estimates routinely require adjustment.

*Recent Accounting Pronouncements.* In December 2009, the FASB issued ASU 2009-17, *Consolidations (Topic 810) Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities,* which codified the previously issued Statement of Financial Accounting Standards 167, *Amendments to FASB Interpretation No. 46R.* ASU 2009-17 changes the consolidation analysis for VIEs and requires a qualitative analysis to determine the primary beneficiary of the VIE. The determination of the primary beneficiary of a VIE is based on whether the entity has the power to direct matters which most significantly impact the activities of the VIE and has the obligation to absorb losses, or the right to receive benefits, of the VIE which could potentially be significant to the VIE. The ASU requires an ongoing reconsideration of the primary beneficiary and also amends the events triggering a reassessment of whether an entity is a VIE. ASU 2009-17 requires additional disclosures for VIEs, including disclosures about a reporting entity s involvement with VIEs, how a reporting entity s involvement with a VIE affects the reporting entity s financial statements, and significant judgments and assumptions made by the reporting entity to determine whether it must consolidate the VIE. ASU 2009-17 was effective for us beginning January 1, 2010. Our adoption of ASU 2009-17 did not have a material effect on our financial statements.

**3. Per Share Data**

Basic earnings per share are computed using net income attributable to common shareholders and the weighted average number of common shares outstanding. Diluted earnings per share reflect common shares issuable from the assumed conversion of common share options and share awards granted and units convertible into common shares. Only those items having a dilutive impact on our basic earnings per share are included in diluted earnings per share. Our unvested share-based payment transactions are considered participating securities and are reflected in the calculation of basic and diluted earnings per share using the two-class method. The number of common share equivalent securities excluded from the diluted earnings per share calculation for the three months ended March 31, 2010, and 2009 was approximately 3.6 million and 4.8 million, respectively. These securities, which include common share options and share awards granted and units convertible into common shares, were excluded from the diluted earnings per share calculation as they were determined to be anti-dilutive.

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The following table presents information necessary to calculate basic and diluted earnings per share for the three months ended March 31, 2010 and 2009:

| *(in thousands, except per share amounts)* | Three Months Ended March 31, 2010 | Three Months Ended March 31, 2009 |
|---|---|---|
| **Basic earnings per share calculation** | | |
| Income from continuing operations attributable to common shareholders | $ 2,285 | $ 5,559 |
| Amount allocated to participating securities | (40) | (76) |
| Income from continuing operations attributable to common shareholders, net of amount allocated to participating securities | $ 2,245 | $ 5,483 |
| Income from discontinued operations attributable to common shareholders | | 675 |
| Net income attributable to common shareholders, adjusted basic | $ 2,245 | $ 6,158 |
| Income from continuing operations attributable to common shareholders, as adjusted per share | $ 0.03 | $ 0.10 |
| Income from discontinued operations attributable to common shareholders per share | | 0.01 |
| Net income attributable to common shareholders, as adjusted per share | $ 0.03 | $ 0.11 |
| Weighted average number of common shares outstanding | 66,475 | 55,552 |
| **Diluted earnings per share calculation** | | |
| Income from continuing operations attributable to common shareholders, net of amount allocated to participating securities | $ 2,245 | $ 5,483 |
| Income allocated to common units | 48 | 5 |
| Income from continuing operations attributable to common shareholders, as adjusted | 2,293 | 5,488 |
| Income from discontinued operations attributable to common shareholders | | 675 |
| Net income attributable to common shareholders, as adjusted | $ 2,293 | $ 6,163 |
| Income from continuing operations attributable to common shareholders, as adjusted per share | $ 0.03 | $ 0.10 |
| Income from discontinued operations attributable to common shareholders per share | | 0.01 |
| Net income attributable to common shareholders, as adjusted per share | $ 0.03 | $ 0.11 |
| Weighted average common shares outstanding | 66,475 | 55,552 |
| Incremental shares issuable from assumed conversion of: | | |
| Common share options and share awards granted | 173 | |
| Common units | 1,521 | 495 |

| | | |
|---|---|---|
| Weighted average common shares outstanding, as adjusted | 68,169 | 56,047 |

**4. Common Shares**

We currently have an automatic shelf registration statement on file with the SEC which allows us to offer, from time to time, an unlimited amount of common shares, preferred shares, debt securities, or warrants. Our declaration of trust provides we may issue up to 110 million shares of beneficial interest, consisting of 100 million common shares and 10 million preferred shares. As of March 31, 2010, we had approximately 65.0 million common shares outstanding, net of treasury shares and shares held in our deferred compensation arrangements, and no preferred shares outstanding.

In March 2010, we announced the creation of an at-the-market ( ATM ) share offering program through which we can sell common shares having an aggregate offering price of up to $250 million from time to time into the existing trading market at current market prices as well as through negotiated transactions. We may, but shall have no obligation to, sell common shares through the ATM share offering program in amounts and at times as we determine. Actual sales will depend on a variety of factors we determine from time to time, including, among others, market conditions, the trading price of our common shares and determinations of the appropriate sources of funding for us. During the three months ended March 31, 2010, we issued approximately 0.4 million shares at an average price of $43.64 per share for total net consideration of approximately $17.2 million through the ATM share offering program. In addition, during the second quarter of 2010 through May 7, 2010, we issued approximately 0.8 million common shares at an average price of $45.27 per share for total net consideration of approximately $36.8 million. Cumulative to date, we have issued approximately 1.2 million common shares at an average price of $44.74 for total net consideration of approximately $54.0 million. As of May 7, 2010, we had common shares having an aggregate offering price of up to $195.0 million remaining available for issuance under the ATM program.

**5. Investments in Joint Ventures**

As of March 31, 2010, our equity investments in unconsolidated joint ventures, which we account for utilizing the equity method of accounting, consisted of 25 joint ventures, with our ownership percentages ranging from 15% to 72%. We provide property management services to the majority of these joint ventures which own operating properties and may provide construction and development services to the joint ventures which own properties under development. The following table summarizes aggregate balance sheet and statement of income data for the unconsolidated joint ventures as of the periods presented:

| (*in millions*) | **March 31, 2010** | **December 31, 2009** |
|---|---|---|
| Total assets | $ 1,191.4 | $ 1,202.0 |
| Total third-party debt | 982.5 | 980.9 |
| Total equity | 143.7 | 151.9 |

| | **March 31, 2010** | **March 31, 2009** |
|---|---|---|
| Total revenues | $ 33.7 | $ 33.7 |
| Net loss | (5.0) | (3.2) |
| Equity in income (loss)(*1*) | (0.1) | 0.4 |

*(1) Equity in income (loss) excludes our ownership interest of fee income from various property management services with*

*our joint ventures.*

The joint ventures in which we have an interest have been funded in part with secured, third-party debt. We have guaranteed no more than our proportionate interest, totaling approximately $60.8 million, of five loans utilized for construction and development activities for our joint ventures. Additionally, we eliminate fee income from property management services provided to these joint ventures to the extent of our ownership.

Mezzanine loans we have made to affiliate joint ventures are recorded as Notes receivable - affiliates as discussed in Note 6, Notes Receivable.

We may earn fees for property management, construction, development, and other services related to joint ventures in which we own an interest. Fees earned for these services amounted to approximately $1.8 million and $2.0 million for the three months ended March 31, 2010 and 2009, respectively.

On April 15, 2010, a $24.5 million secured third-party construction note of one of our joint ventures located in Houston, Texas, originally scheduled to mature in April 2010, was contractually extended to April 2011. Concurrent with the construction note extension, our $8.2 million mezzanine loan to this joint venture was converted into an additional common equity interest in the amount of $7.2 million (with a preference on distribution of cash flows) and the remaining $1.0 million was converted into an additional equity interest in the joint venture.

**6. Notes Receivable**

*Notes receivable affiliates.* We provided mezzanine construction financing with rates ranging from the London Interbank Offered Rate ( LIBOR ) plus 3% to a fixed maximum rate of 12% per year, in connection with certain of our joint venture transactions. As of March 31, 2010 and December 31, 2009, the balance of Notes receivable affiliates totaled approximately $46.1 million and $45.8 million, respectively, on notes maturing through 2019. We eliminate the interest and other income to the extent of our percentage ownership in the joint ventures. We have reviewed the terms and conditions underlying these notes receivable and believe these notes are collectible, and no impairment existed at March 31, 2010.

At March 31, 2010, our commitment to fund additional amounts under the mezzanine loans was an aggregate of approximately $7.1 million.

*Notes receivable secured by common shares.* At March 31, 2010, one note receivable was outstanding and had a balance of $0.1 million, which was secured 100% by common shares and reported as a component of equity in our condensed consolidated balance sheet.

**7. Notes Payable**

The following is a summary of our indebtedness:

| *(in millions)* | **March 31, 2010** | **December 31, 2009** |
|---|---|---|
| **Commercial Banks** | | |
| Unsecured line of credit and short-term borrowings | $ | $ |
| $500 million term loan, due 2012 | 500.0 | 500.0 |
| | 500.0 | 500.0 |
| **Senior unsecured notes** | | |
| $250.0 million 4.39% Notes, due 2010 | | 55.3 |
| $100.0 million 6.75% Notes, due 2010 | 57.8 | 57.8 |
| $150.0 million 7.69% Notes, due 2011 | 87.9 | 87.9 |
| $200.0 million 5.93% Notes, due 2012 | 189.4 | 189.4 |
| $200.0 million 5.45% Notes, due 2013 | 199.5 | 199.4 |
| $250.0 million 5.08% Notes, due 2015 | 249.1 | 249.0 |
| $300.0 million 5.75% Notes, due 2017 | 246.1 | 246.1 |
| | 1,029.8 | 1,084.9 |
| **Medium-term notes** | | |
| $10.0 million 4.90% Notes, due 2010 | 10.1 | 10.2 |
| $14.5 million 6.79% Notes, due 2010 | 14.5 | 14.5 |
| $35.0 million 4.99% Notes, due 2011 | 36.1 | 36.3 |
| | 60.7 | 61.0 |

| **Total unsecured notes payable** | 1,590.5 | 1,645.9 |
| --- | --- | --- |

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| *(in millions)* | March 31, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| **Secured notes** | | | | |
| 1.09% - 6.00% Conventional Mortgage Notes, due 2011 - 2019 | | 939.0 | | 937.8 |
| 1.70% Tax-exempt Mortgage Note due 2028 | | 41.2 | | 41.5 |
| | | 980.2 | | 979.3 |
| **Total notes payable** | $ | 2,570.7 | $ | 2,625.2 |
| Floating rate debt included in secured notes (1.09% - 1.68%) | $ | 187.3 | $ | 186.9 |
| Floating rate tax-exempt debt included in secured notes (1.70%) | | 41.2 | | 41.5 |

We have a $600 million unsecured credit facility which matures in January 2011. The scheduled interest rate spreads are subject to change as our credit ratings change. Advances under the line of credit may be priced at the scheduled rates, or we may enter into bid rate loans with participating banks at rates below the scheduled rates. These bid rate loans have terms of six months or less and may not exceed the lesser of $300 million or the remaining amount available under the line of credit. The line of credit is subject to customary financial covenants and limitations, all of which we are in compliance.

Our line of credit provides us with the ability to issue up to $100 million in letters of credit. While our issuance of letters of credit does not increase our borrowings outstanding under our line of credit, it does reduce the amount available. At March 31, 2010, we had outstanding letters of credit totaling approximately $10.4 million and approximately $589.6 million available under our unsecured line of credit.

As an alternative to our unsecured line of credit, from time to time we borrow using competitively bid unsecured short-term notes with lenders who may or may not be a part of the unsecured line of credit bank group. Such borrowings vary in term and pricing and are typically priced at interest rates below those available under the unsecured line of credit.

At March 31, 2010 and 2009, the weighted average interest rate on our floating rate debt, which includes our unsecured line of credit, was 1.2% and 1.7%, respectively.

During the three months ended March 31, 2010, we repaid the remaining principal amount of our $250 million, 4.39% senior unsecured notes which matured on January 15, 2010 for a total of approximately $55.3 million.

Our indebtedness, including our unsecured line of credit, had a weighted average maturity of 5.5 years at March 31, 2010. Scheduled repayments on outstanding debt assuming all contractual extensions, including our line of credit and scheduled principal amortizations, and the weighted average interest rate on maturing debt at March 31, 2010 are as follows:

| *(in millions)* | Amount | | Weighted Average Interest Rate |
|---|---|---|---|
| 2010 | $ | 85.3 | 6.5% |
| 2011 | | 155.0 | 6.3 |
| 2012 | | 761.9 | 5.4 |
| 2013 | | 227.2 | 5.4 |
| 2014 | | 10.1 | 6.0 |
| 2015 and thereafter | | 1,331.2 | 4.7 |
| Total | $ | 2,570.7 | 5.1% |

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## 8. Derivative Instruments and Hedging Activities

*Risk Management Objective of Using Derivatives.* We are exposed to certain risks 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 may enter into derivative financial instruments to manage exposures arising from business activities resulting in differences in the amount, timing, and duration of our known or expected cash payments principally related to our borrowings.

*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 primarily use interest rate swaps and caps as part of our interest rate risk management strategy. Interest rate swaps involve the receipt of variable rate 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 involve the receipt of variable rate amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up front premium.

*Designated Hedges.* The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in accumulated other comprehensive income or loss and is subsequently reclassified into earnings in the period the hedged forecasted transaction affects earnings. Over the next twelve months, we estimate an additional $22.1 million will be reclassified to interest expense. During the three months ending March 31, 2010 and 2009, 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, if any, is recognized directly in earnings. No portion was ineffective during the three months ended March 31, 2010 and 2009.

As of March 31, 2010, we had the following outstanding interest rate derivatives designated as cash flow hedges of interest rate risk:

| Interest Rate Derivative | Number of Instruments | Notional Amount |
|---|---|---|
| Interest Rate Swaps | 2 | $516.3 million |

*Non-designated Hedges.* Derivatives not designated as hedges are not speculative and are used to manage our exposure to interest rate movements and other identified risks. Non-designated hedges are either specifically non-designated by management or do not meet strict hedge accounting requirements. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings in other income or other expense.

As of March 31, 2010, we had the following outstanding interest rate derivative which was not designated as a hedge of interest rate risk:

| Interest Rate Derivative | Number of Instruments | Notional Amount |
|---|---|---|
| Interest Rate Cap | 1 | $175.0 million |

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The table below presents the fair value of our derivative financial instruments as well as their classification in the condensed consolidated balance sheets at March 31, 2010 and December 31, 2009 (in millions):

**Fair Values of Derivative Instruments**

| | **Asset Derivatives** | | | | **Liability Derivatives** | | | |
|---|---|---|---|---|---|---|---|---|
| | **March 31, 2010** | | **December 31, 2009** | | **March 31, 2010** | | **December 31, 2009** | |
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Derivatives designated as hedging instruments | | | | | | | | |
| Interest Rate Swaps | | | | | Other Liabilities | $ 42.1 | Other Liabilities | $ 41.1 |
| Derivatives not designated as hedging instruments | | | | | | | | |
| Interest Rate Cap | Other Assets | $ | Other Assets | $ 0.1 | | | | |

The tables below present the effect of our derivative financial instruments on the condensed consolidated statements of income and comprehensive income for the three months ended March 31, 2010 and 2009 (in millions):

**Effect of Derivative Instruments**

| **Derivatives in Cash Flow Hedging Relationships** | **Amount of Loss Recognized in Other Comprehensive Income ( OCI ) on Derivative (Effective Portion)** | | **Location of Loss Reclassified from Accumulated OCI into Income (Effectiveness Portion)** | **Amount of 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)** | |
|---|---|---|---|---|---|---|---|---|
| | **2010** | **2009** | | **2010** | **2009** | | **2010** | **2009** |
| Interest Rate Swaps | $ 6.8 | $ 2.9 | | $ 5.9 | $ 5.3 | | Not applicable | |

| | Interest expense | Not applicable |
|---|---|---|

| Derivatives not designated as hedging instruments | Location of Gain Recognized in Income on Derivative | Amount of Gain or (Loss) Recognized in Income on Derivative 2010 | 2009 |
|---|---|---|---|
| Interest Rate Cap | Other income | $ | $ |

*Credit-risk-related Contingent Features*. Derivative financial investments expose us to credit risk in the event of non-performance by the counterparties under the terms of the interest rate hedge agreements. We believe we minimize our credit risk on these transactions by transacting with major creditworthy financial institutions. As part of our on-going control procedures, we monitor the credit ratings of counterparties and our exposure to any single entity, which we believe minimizes credit risk concentration. We believe the likelihood of realized losses from counterparty non-performance is remote.

Our agreements with each of our derivative counterparties contain provisions which provide the counterparty the right to declare a default on our derivative obligations if we are in default on any of our indebtedness, subject to certain thresholds. For all instances, these provisions include a default even if there is no acceleration of the indebtedness. Our agreements with each of our derivative counterparties also provide if we consolidate with, merge with or into, or transfer all or substantially all our assets to another entity and the creditworthiness of the resulting, surviving, or transferee entity is materially weaker than ours, the counterparty has the right to terminate the derivative obligations.

At March 31, 2010, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk (the termination value ), related to these agreements was approximately $44.5 million. As of March 31, 2010, we had not posted any collateral related to these agreements. If we were in breach of any of these provisions at March 31, 2010, or terminated these agreements, we would have been required to settle our obligations at their termination value of approximately $44.5 million.

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**9. Share-based Compensation**

*Options*. During the three months ended March 31, 2010, 0.1 million options were exercised at prices ranging from $25.88 to $36.87 per option. The total intrinsic value of options exercised was approximately $1.3 million during the three months ended March 31, 2010. There were no options exercised during the three months ended March 31, 2009. As of March 31, 2010, there was approximately $3.0 million of total unrecognized compensation cost related to unvested options, which is expected to be amortized over the next four years.

The following table summarizes share options outstanding and exercisable at March 31, 2010:

| Range of Exercise Prices | Outstanding Options (1) Number | Outstanding Options (1) Weighted Average Price | Exercisable Options (1) Number | Exercisable Options (1) Weighted Average Price | Remaining Contractual Life (Years) |
|---|---|---|---|---|---|
| $30.06-$41.91 | 614,378 | $ 33.05 | 222,771 | $ 38.30 | 6.3 |
| $42.90-$44.00 | 525,095 | 43.31 | 469,200 | 43.24 | 4.1 |
| $45.53-$73.32 | 734,563 | 49.60 | 504,851 | 50.32 | 6.0 |
| Total options | 1,874,036 | $ 42.41 | 1,196,822 | $ 45.31 | 5.6 |

(1) *The aggregate intrinsic value of outstanding options and exercisable options at March 31, 2010 was $5.3 million and $0.8 million, respectively. The aggregate intrinsic values were calculated as the excess, if any, between our closing share price of $41.63 per share on March 31, 2010 and the strike price of the underlying award.*

*Valuation Assumptions*. Options generally have a vesting period of three to five years. We estimate the fair values of each option award on the date of grant using the Black-Scholes option pricing model. The following assumptions were used for options granted during the three months ended March 31, 2010:

| | |
|---|---|
| Weighted average fair value of options granted | $11.69 |

| | |
|---|---|
| Expected volatility | 35.6% - 39.2% |
| Risk-free interest rate | 3.6% - 3.7% |
| Expected dividend yield | 4.1% - 4.4% |
| Expected life (in years) | 7.0 - 9.0 |

Our computation of expected volatility for 2010 is based on the historical volatility of our common shares over a time period equal to the expected life of the option and ending on the grant date. The interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield on our common shares is estimated using the annual dividends paid in the prior year and the market price on the date of grant. Our computation of expected life for 2010 is estimated based on historical experience of similar awards, giving consideration to the contractual terms of the share-based awards.

*Share Awards and Vesting*. Share awards generally have a vesting period of five years. The compensation cost for share awards is based on the market value of the shares on the date of grant and is amortized over the vesting period. To estimate forfeitures, we use actual forfeiture history. At March 31, 2010, the unamortized value of previously issued unvested share awards was approximately $29.8 million. The total fair value of shares vested during the three months ended March 31, 2010 and 2009 was approximately $9.6 million and $9.1 million, respectively.

Total compensation cost for option and share awards charged against income was approximately $3.1 million and $2.3 million for the three months ended March 31, 2010 and 2009, respectively. Total capitalized compensation cost for option and share awards was approximately $0.5 million and $0.4 million for the three months ended March 31, 2010 and 2009, respectively.

The following table summarizes activity under our Share Incentive Plans for the three months ended March 31, 2010:

| | Options / Share Awards Outstanding | Weighted Average Exercise / Grant Price |
|---|---|---|
| Balance at January 1, 2010 | 4,826,757 | $ 39.00 |
| Options | | |
| Granted | 55,895 | 43.94 |
| Exercised | (127,639) | 31.76 |
| Forfeited | (28,432) | 47.48 |
| Net options | (100,176) | |
| Share Awards | | |
| Granted | 350,958 | 39.46 |
| Forfeited | (1,911) | 33.68 |
| Net share awards | 349,047 | |
| Balance at March 31, 2010 | 5,075,628 | $ 40.67 |
| Exercisable options at March 31, 2010 | 1,196,822 | $ 45.31 |
| Vested share awards at March 31, 2010 | 2,376,781 | $ 38.62 |

**10. Net Change in Operating Accounts**

The effect of changes in the operating accounts on cash flows from operating activities is as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| *(in thousands)* | **2010** | **2009** |
| Decrease in assets: | | |
| Other assets, net | $ 842 | $ 4,020 |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | (3,678) | (6,171) |
| Accrued real estate taxes | (6,236) | (4,487) |
| Other liabilities | (1,786) | 2,308 |
| Change in operating accounts | $ (10,858) | $ (4,330) |

**11. Commitments and Contingencies**

*Litigation*. We are subject to various legal proceedings and claims which arise in the ordinary course of business. Matters which arise out of allegations of bodily injury, property damage, and employment practices are generally covered by insurance. While the resolution of these legal proceedings and claims cannot be predicted with certainty, management believes the final outcome of such matters will not have a material adverse effect on our condensed consolidated financial statements.

*Other Contingencies*. In the ordinary course of our business, we issue letters of intent indicating a willingness to negotiate for acquisitions, dispositions, or joint ventures and also enter into arrangements contemplating various

transactions. Such letters of intent and other arrangements are non-binding as to either party unless and until a definitive contract is entered into by the parties. Even if definitive contracts relating to the purchase or sale of real property are entered into, these contracts generally provide the purchaser with time to evaluate the property and conduct due diligence, during which periods the purchaser will have the ability to terminate the contracts without penalty or forfeiture of any deposit or earnest money. There can be no assurance definitive contracts will be entered into with respect to any matter covered by letters of intent or we will consummate any transaction contemplated by any definitive contract. Furthermore, due diligence periods for real property are frequently extended as needed. An acquisition or sale of real property becomes probable at the time the due diligence period expires and the definitive contract has not been terminated. We are then at risk under a real property acquisition contract, but generally only to the extent of any earnest money deposits associated with the contract, and are obligated to sell under a real property sales contract.

*Lease Commitments*. At March 31, 2010, we had long-term leases covering certain land, office facilities, and equipment. Rental expense totaled approximately $0.8 million for each of the three months ended March 31, 2010 and 2009. Minimum annual rental commitments for the remainder of 2010 are $1.8 million, and for the years ending December 31, 2011 through 2014 are approximately $2.4 million, $2.0 million, $1.9 million, and $1.8 million, respectively, and $1.7 million in the aggregate thereafter.

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

**12. Income Taxes**

We have maintained and intend to maintain our election as a REIT under the Internal Revenue Code of 1986, as amended. In order for us to continue to qualify as a REIT we must meet a number of organizational and operational requirements, including a requirement to distribute annual dividends to our shareholders equal to a minimum of 90% of our REIT taxable income, computed without regard to the dividends paid deduction and our net capital gains. As a REIT, we generally will not be subject to federal income tax on our taxable income at the corporate level to the extent such income is distributed to our shareholders annually. If our taxable income exceeds our dividends in a tax year, REIT tax rules allow us to designate dividends from the subsequent tax year in order to avoid current taxation on undistributed income. If we fail to qualify as a REIT in any taxable year, we will be subject to federal and state income taxes at regular corporate rates, including any applicable alternative minimum tax. In addition, we may not be able to requalify as a REIT for the four subsequent taxable years. Historically, we have incurred only state and local income, franchise, and excise taxes. Taxable income from non-REIT activities managed through taxable REIT subsidiaries is subject to applicable federal, state, and local income taxes. Our operating partnerships are flow-through entities and are not subject to federal income taxes at the entity level. We have provided for income, franchise, and state income taxes in the condensed consolidated statements of income and comprehensive income for the three months ended March 31, 2010 and 2009. These taxes are primarily for entity level taxes on certain ventures, state taxes, and federal taxes on certain of our taxable REIT subsidiaries. We have no significant temporary differences or tax credits associated with our taxable REIT subsidiaries.

We believe we have no uncertain tax positions or unrecognized tax benefits requiring disclosure as of and for the three months ended March 31, 2010.

**13. Dispositions and Assets Held for Sale**

*Discontinued Operations and Assets Held for Sale*. For the three months ended March 31, 2009, income from discontinued operations included the results of operations of one operating property, containing 671 apartment homes, classified as held for sale at March 31, 2009 and subsequently sold in the second quarter of 2009. During the fourth quarter of 2009, we reclassified the undeveloped land parcels previously included in discontinued operations to continuing operations as management made the decision not to sell these assets. As a result, we reclassified approximately $0.1 million of expenses which were previously included in income from discontinued operations to total property expenses in the condensed consolidated statements of income and comprehensive income for the three months ended March 31, 2009.

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There was no income from discontinued operations for the three months ended March 31, 2010. The following is a summary of income from discontinued operations for the three months ended March 31, 2009:

| *(in thousands)* | Three Months Ended March 31, 2009 |
|---|---|
| Property revenues | $ 1,197 |
| Property expenses | 522 |
| | 675 |
| Interest | |
| Depreciation and amortization | |
| Income from discontinued operations | $ 675 |

There were no sales of operating properties during the three months ended March 31, 2010 and 2009.

**14. Fair Value Disclosures**

For financial assets and liabilities fair valued on a recurring basis, fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction which occurs at the transaction date is used to estimate fair value.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions; preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Significant inputs to the valuation model are unobservable.

The following table presents information about our financial assets and liabilities measured at fair value as of March 31, 2010 and December 31, 2009 under the fair value hierarchy discussed above.

| | March 31, 2010 | | | | December 31, 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| (*in millions*) | Level 1 | Level 2 | Level 3 | Balance | Level 1 | Level 2 | Level 3 | Balance |
| **Assets** | | | | | | | | |
| Deferred compensation plan investments | $ 42.7 | $ | $ | $ 42.7 | $ 49.7 | $ | $ | $ 49.7 |
| Derivative financial instruments | | | | | | 0.1 | | 0.1 |
| **Liabilities** | | | | | | | | |
| Derivative financial instruments | $ | $ 42.1 | $ | $ 42.1 | $ | $ 41.1 | $ | $ 41.1 |

*Deferred compensation plan investments*. The estimated fair values of investment securities classified as deferred compensation plan investments are included in Level 1 and are based on quoted market prices utilizing public information for the same transactions or information provided through third-party advisors. Our deferred compensation plan investments are recorded in other assets in our condensed consolidated balance sheets. The balance at March 31, 2010 also reflects approximately $11.1 million of participant withdrawals from our deferred compensation plan investments during the quarter.

*Derivative financial instruments*. The estimated fair values of derivative financial instruments are included in Level 2 and are valued 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 volatility. The fair values of interest rate swaps and caps are estimated using the market standard methodology of netting the discounted fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of interest rates (forward curves) derived from observable market interest rate curves. In addition, credit valuation adjustments, which consider the impact of any credit enhancements to the contracts, are incorporated in the fair values to account for potential nonperformance risk, both our own nonperformance risk and the respective counterparty s nonperformance risk. The fair value of interest rate caps are determined using the market standard methodology of discounting the future expected cash receipts which 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 observed market interest rate curves and volatilities.

Although we have determined 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 us and our counterparties. However, as of March 31, 2010, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

*Other Fair Value Disclosures.* As of March 31, 2010 and December 31, 2009, the carrying value of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued expenses and other liabilities, and distributions payable approximated their fair value based on the short-term nature of these instruments.

In calculating the fair value of our notes receivable and notes payable, interest rates and spreads reflect current creditworthiness and market conditions available for the issuance of notes receivable and notes payable with similar terms and remaining maturities. In instances where market conditions are not available, we follow the guidance of the Fair Value Measurements and Disclosures Topic of the Codification to estimate fair value in a non-active market. The following table presents the carrying and estimated fair value of our notes receivable and notes payable at March 31, 2010 and December 31, 2009:

| | **March 31, 2010** | | **December 31, 2009** | |
|---|---|---|---|---|
| (*in millions*) | **Carrying Value** | **Estimated Fair Value** | **Carrying Value** | **Estimated Fair Value** |
| Notes receivable affiliates | $ 46.1 | $ 46.1 | $ 45.8 | $ 46.1 |
| Fixed rate notes payable *(1)* | 2,342.2 | 2,378.2 | 2,396.8 | 2,380.9 |
| Floating rate notes payable | 228.5 | 189.7 | 228.4 | 189.4 |

*(1) Includes a $500 million term loan entered into in 2007 and $16.3 million of a construction loan entered into in 2008 which are effectively fixed*

*by the use of interest rate swaps.*

*Nonrecurring Fair Value Disclosures.* Nonfinancial assets and nonfinancial liabilities measured on a nonrecurring basis primarily relate to impairment of long-lived assets or investments. There were no events during the three months ended March 31, 2010 which required fair value adjustments of our nonfinancial assets and nonfinancial liabilities.

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**15. Noncontrolling Interests**

The following table summarizes the effect of changes in our ownership interest in subsidiaries on the equity attributable to us for the three months ended March 31:

| (*in thousands*) | 2010 | 2009 |
|---|---|---|
| Net income attributable to common shareholders | $ 2,285 | $ 6,234 |
| Transfers from the noncontrolling interests: | | |
| Increase in equity for conversion of operating partnership units | 1,150 | 1,763 |
| Increase in equity from purchase of noncontrolling interests | | 648 |
| Change in common shareholders equity and net transfers from noncontrolling interests | $ 3,435 | $ 8,645 |

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## 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, as well as Part I, Item 1A, Risk Factors within our Annual Report on Form 10-K for the year ended December 31, 2009. Historical results and trends which might appear in the condensed consolidated financial statements should not be interpreted as being indicative of future operations.

We consider portions of this report to be forward-looking within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, both as amended, 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 relating to the future; forward-looking statements are not guarantees of future performance, results, or events. Although we believe the expectations reflected in our forward-looking statements are based upon reasonable assumptions, we can give no assurance our expectations will be achieved. Any statements contained herein which are not statements of historical fact should be considered forward-looking statements. Reliance should not be placed on these forward-looking statements as they are subject to known and unknown risks, uncertainties, and other factors beyond our control and could differ materially from our actual results and performance.

Factors which may cause our actual results or performance to differ materially from those contemplated by forward-looking statements include, but are not limited to, the following:

- volatility in capital and credit markets could adversely impact us;
- we could be negatively impacted by the condition of Fannie Mae or Freddie Mac;
- unfavorable changes in economic conditions could adversely impact occupancy or rental rates;
- short-term leases expose us to the effects of declining market rents;
- we face risks associated with land holdings and related activities;
- difficulties of selling real estate could limit our flexibility;
- compliance or failure to comply with laws requiring access to our properties by disabled persons could result in substantial cost;
- competition could limit our ability to lease apartments or increase or maintain rental income;
- development and construction risks could impact our profitability;
- our acquisition strategy may not produce the cash flows expected;
- competition could adversely affect our ability to acquire properties;
- losses from catastrophes may exceed our insurance coverage;
- investments through joint ventures involve risks not present in investments in which we are the sole investor;
- we face risks associated with investments in and management of discretionary funds;
- we depend on our key personnel;
- changes in laws and litigation risks could affect our business;

- tax matters, including failure to qualify as a REIT, could have adverse consequences;
- insufficient cash flows could limit our ability to make required payments for debt obligations or pay distributions to shareholders;
- we have significant debt, which could have important adverse consequences;
- we may be unable to renew, repay, or refinance our outstanding debt;
- variable rate debt is subject to interest rate risk;
- we may incur losses on interest rate hedging arrangements;
- issuances of additional debt may adversely impact our financial condition;
- failure to maintain current credit ratings could adversely affect our cost of funds, related margins, liquidity, and access to capital markets;
- share ownership limits and our ability to issue additional equity securities may prevent takeovers beneficial to shareholders;
- our share price will fluctuate; and
- we may reduce dividends on our equity securities.

These forward-looking statements represent our estimates and assumptions as of the date of this report, and we assume no obligation to update or supplement forward-looking statements because of subsequent events.

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Unless the context requires otherwise, Camden, we, our, us, and the Company refer to Camden Property Tru
Camden s consolidated subsidiaries and partnerships, collectively.

**Executive Summary**

During 2008 and 2009, a number of factors adversely affecting the demand for and rents received by our multifamily communities were intense and pervasive across the United States, and the conditions within the multifamily industry remain challenging. A prolonged recession, high inventory levels of single-family homes and condominiums in the markets in which we operate, overall weak consumer confidence, and high unemployment, among other factors, have persisted into 2010. We believe the effects of these factors on the multifamily industry have been further magnified by high levels of home foreclosures, liquidity disruptions in the financial markets, continued job losses, and lack of job growth. Our average apartment lease term is approximately twelve months, and we believe the impact of an economic downturn affects us quickly due to the short-term nature of our leases because our rental revenues are impacted by declines in market rents more quickly than if our leases were for longer terms.

Based on these market conditions and our belief these conditions will continue in the near future, we continue to be cautious regarding expected performance and expect a decline in property revenues during 2010 as compared to 2009. However, positive impacts on our performance may result from the continued expansion of the U. S. population, reductions in the U.S. home ownership rate, more stringent lending criteria for prospective home-buyers, and long-term growth prospects for population, employment, and household formations in our markets, although there can be no assurance any of these factors will develop, continue or positively impact our operating results. We have noted a recent improvement in some of our market conditions and while this may be a positive sign, we are uncertain if this level of activity will increase or continue.

During the near term, we plan to continue to primarily focus on strengthening our capital and liquidity position by generating positive cash flows from operations, reducing outstanding debt and leverage ratios, and controlling and reducing overhead costs.

We review our long-lived assets for impairment on an annual basis or whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Our impairment evaluations take into consideration the current and anticipated economic climate. Based on our evaluations, we recorded significant impairment charges in the fourth quarter of 2009 for land holdings for eight future projects and a land development joint venture we have put on hold for the foreseeable future. We currently have five wholly-owned land parcels held for future development we plan to develop, but the commencement of future developments may continue to be impacted by macroeconomic issues, multifamily market conditions, and other factors. We will continue to evaluate future development starts based on market, economic and capital market conditions. However, if current conditions persist, there can be no assurance we will not have further impairments in the future.

Subject to market conditions, we intend to continue to look for opportunities to acquire existing communities through our investment in and management of our discretionary investment funds ( the Funds ). Until the earlier of (i) December 31, 2011 or (ii) such time as 90% of their committed capital is invested, subject to two one-year extensions, the Funds will be our exclusive investment vehicles for acquiring fully developed multifamily properties, subject to certain exceptions.

During the remainder of 2010, approximately $85.3 million of debt maturities, including scheduled principal amortizations, are scheduled to mature. We intend to meet our long-term liquidity requirements through cash flows generated from operations, draws on our unsecured credit facility, proceeds from property dispositions and secured mortgage notes, and the use of debt and equity offerings under our automatic shelf registration statement, including under our ATM share offering program.

Despite the challenging conditions noted above, we believe we are well-positioned with a strong balance sheet and sufficient liquidity to cover debt maturities and potential new development funding requirements in the short-term. We believe this should allow us to take advantage of investment opportunities in the future if and when they arise. Our properties are geographically diverse and were 93% occupied as of March 31, 2010, little new multifamily rental supply has been added to our markets, and the long-term growth prospects are positive. When economic conditions improve, we believe the short-term nature of our leases and the limited supply of new rental housing constructed should enhance our ability to realize revenue growth and improvement in our operating results. There can, however,

be no assurance any of these factors will develop or positively impact us.

Property Portfolio

Our multifamily property portfolio, excluding land and joint venture properties which we do not manage, is summarized as follows:

| | March 31, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| | Apartment Homes | Properties | Apartment Homes | Properties |
| **Operating Properties** | | | | |
| Las Vegas, Nevada | 8,016 | 29 | 8,016 | 29 |
| Houston, Texas | 6,661 | 18 | 6,289 | 16 |
| Dallas, Texas | 6,119 | 15 | 6,119 | 15 |
| Washington, D.C. Metro | 6,068 | 17 | 6,068 | 17 |
| Tampa, Florida | 5,503 | 12 | 5,503 | 12 |
| Charlotte, North Carolina | 3,574 | 15 | 3,574 | 15 |
| Orlando, Florida | 3,557 | 9 | 3,557 | 9 |
| Atlanta, Georgia | 3,202 | 10 | 3,202 | 10 |
| Raleigh, North Carolina | 2,704 | 7 | 2,704 | 7 |
| Southeast Florida | 2,520 | 7 | 2,520 | 7 |
| Los Angeles/Orange County, California | 2,481 | 6 | 2,481 | 6 |
| Austin, Texas | 2,454 | 8 | 2,454 | 8 |
| Phoenix, Arizona | 2,433 | 8 | 2,433 | 8 |
| Denver, Colorado | 2,171 | 7 | 2,171 | 7 |
| San Diego/Inland Empire, California | 1,196 | 4 | 1,196 | 4 |
| Other | 4,999 | 13 | 4,999 | 13 |
| **Total Operating Properties** | 63,658 | 185 | 63,286 | 183 |
| **Properties Under Development** | | | | |
| Houston, Texas | | | 372 | 2 |
| **Total Properties** | 63,658 | 185 | 63,658 | 185 |
| **Less: Joint Venture Properties (1)** | | | | |
| Las Vegas, Nevada | 4,047 | 17 | 4,047 | 17 |
| Houston, Texas (2) | 2,199 | 7 | 2,199 | 7 |
| Phoenix, Arizona | 992 | 4 | 992 | 4 |
| Los Angeles/Orange County, California | 711 | 2 | 711 | 2 |
| Austin, Texas | 601 | 2 | 601 | 2 |
| Washington, D.C. Metro | 508 | 1 | 508 | 1 |
| Dallas, Texas | 456 | 1 | 456 | 1 |
| Denver, Colorado | 320 | 1 | 320 | 1 |
| Other | 3,237 | 9 | 3,237 | 9 |
| **Total Joint Venture Properties** | 13,071 | 44 | 13,071 | 44 |
| **Total Properties Owned 100%** | 50,587 | 141 | 50,587 | 141 |

*(1)*

*Refer to Note 5, Investments in Joint Ventures in the notes to condensed consolidated financial statements for further discussion of our joint venture investments.*

(2) *Includes Camden Travis Street, a fully-consolidated joint venture, of which we retain a 25% ownership.*

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Stabilized Communities

We generally consider a property stabilized once it reaches 90% occupancy at the beginning of a period. None of our recently completed properties reached stabilization during the three months ended March 31, 2010.

Discontinued Operations and Assets Held for Sale

We intend to maintain a long-term strategy of managing our invested capital through the selective sale of properties and expect to utilize the proceeds to reduce our outstanding debt and leverage ratios and fund investments with higher anticipated growth prospects in our markets. Income from discontinued operations includes the operations of properties, including land, sold during the period or classified as held for sale as of March 31, 2009. There was no income from discontinued operations during the three months ended March 31, 2010. The components of earnings classified as discontinued operations include separately identifiable property-specific revenues, expenses, depreciation, and interest expense. Any gain or loss on the disposal of the properties held for sale, if any, is also classified as discontinued operations. As of March 31, 2009, we had one operating property classified as held for sale, Camden West Oaks, a 671-unit community built in 1982 located in Houston, Texas; this property was subsequently sold in the second quarter of 2009.

During the fourth quarter of 2009, we reclassified two undeveloped land parcels previously included in discontinued operations to continuing operations as management made the decision not to sell these assets. As a result, we reclassified approximately $0.1 million of expenses which were previously included in income from discontinued operations to total property expenses in the condensed consolidated statements of income and comprehensive income for the three months ended March 31, 2009.

Development and Lease-Up Properties

At March 31, 2010, we had two completed consolidated properties in lease-up as follows:

| *($ in millions)*<br>**Property and Location** | **Number of Apartment Homes** | **Cost Incurred** | **% Leased at 5/2/10** | **Date of Construction Completion** | **Estimated Date of Stabilization** |
|---|---|---|---|---|---|
| Camden Dulles Station<br>*Oak Hill, VA* | 366 | $ 72.3 | 95% | 1Q09 | 2Q10 |
| Camden Travis Street<br>*Houston, TX (1)* | 253 | 30.5 | 47% | 1Q10 | 1Q11 |
| Total | 619 | $ 102.8 | 75% | | |

*(1) Camden Travis Street is owned in a fully-consolidated joint venture, of which we retain a 25% ownership.*

Our condensed consolidated balance sheet at March 31, 2010 included approximately $196.4 million related to properties under development and land, comprised of approximately $91.7 million invested in land for projects we plan to develop, and approximately $104.7 million invested in land tracts for which future development activities have been put on hold for the foreseeable future.

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At March 31, 2010, we had investments in non-consolidated joint ventures which were developing the following multifamily communities:

| *($ in millions)*<br>**Property and Location** | **Ownership %** | **Number of Apartment Homes** | **Total Cost Incurred** | **% Leased at 5/2/10** |
|---|---|---|---|---|
| **Completed Communities** *(1)* | | | | |
| Camden Amber Oaks<br>*Austin, TX* | 20% | 348 | $ 35.3 | 89% |
| Braeswood Place<br>*Houston, TX* | 72% | 340 | 50.3 | 70% |
| Belle Meade<br>*Houston, TX* | 30% | 119 | 37.0 | 54% |
| Total Completed Communities | | 807 | $ 122.6 | |
| | | **Total Acres** | | |
| **Pre-Development** *(2)* | | | | |
| Lakes at 610<br>*Houston, TX* | 30% | 6.1 | $ 7.2 | |
| Town Lake *(3)*<br>*Austin, TX* | 72% | 25.9 | 41.1 | |
| Pre-Development Total | | 32.0 | $ 48.3 | |

*(1) Properties in lease-up as of March 31, 2010.*

*(2) Properties in pre-development by joint venture partner.*

*(3) We have discontinued development activities on this project as of December 31, 2009.*

Refer to Note 5, Investments in Joint Ventures in the notes to condensed consolidated financial statements for further discussion of our joint venture investments.

**Results of Operations**

Changes in revenues and expenses related to our operating properties from period to period are due primarily to the performance of stabilized properties in the portfolio, the lease-up of newly constructed properties, acquisitions, and dispositions. Where appropriate, comparisons of income and expense on communities included in continuing operations are made on a dollars-per-weighted average apartment home basis in order to adjust for such changes in the number of apartment homes owned during each period. Selected weighted averages for the three months ended March 31, 2010 and 2009 are as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| *($ in thousands)* | **2010** | **2009** |
| Average monthly property revenue per apartment home | $ 1,003 | $ 1,047 |
| Annualized total property expenses per apartment home | $ 4,987 | $ 4,871 |
| Weighted average number of operating apartment homes owned 100% | 50,578 | 50,017 |
| Weighted average occupancy of operating apartment homes owned 100% | 93.1% | 93.8% |

Property-level operating results

The following tables present the property-level revenues and property-level expenses, excluding discontinued operations, for the three months ended March 31, 2010 as compared to the same period in 2009:

| ($ in thousands) | Apartment Homes At 3/31/10 | Three Months Ended March 31, 2010 | Three Months Ended March 31, 2009 | Change $ | Change % |
|---|---|---|---|---|---|
| **Property revenues** | | | | | |
| Same store communities | 47,359 | $ 140,015 | $ 147,097 | $ (7,082) | (4.8)% |
| Non-same store communities | 2,862 | 9,312 | 7,894 | 1,418 | 18.0 |
| Development and lease-up communities | 619 | 1,668 | 843 | 825 | 97.9 |
| Dispositions/other | | 1,211 | 1,198 | 13 | 1.1 |
| **Total property revenues** | 50,840 | $ 152,206 | $ 157,032 | $ (4,826) | (3.1)% |
| **Property expenses** | | | | | |
| Same store communities | 47,359 | $ 57,430 | $ 56,284 | $ 1,146 | 2.0% |
| Non-same store communities | 2,862 | 3,541 | 3,278 | 263 | 8.0 |
| Development and lease-up communities | 619 | 869 | 419 | 450 | 107.4 |
| Dispositions/other | | 1,218 | 924 | 294 | 31.8 |
| **Total property expenses** | 50,840 | $ 63,058 | $ 60,905 | $ 2,153 | 3.5% |

*Same store communities are communities we owned and were stabilized as of January 1, 2009. Non-same store communities are stabilized communities we have acquired, developed or re-developed after January 1, 2009. Development and lease-up communities are non-stabilized communities we have acquired or developed after January 1, 2009.*

*Same store analysis*

Same store property revenues for the three months ended March 31, 2010 decreased $7.1 million, or 4.8%, from the same period in 2009. Same store rental revenues decreased $7.3 million due to a slight decline in average occupancy and a 5.5% decline in average rental rates for our same store portfolio due to, among other factors, the challenges within the multifamily industry as discussed in the Executive Summary. The decrease was partially offset by a $0.2 million increase in other property revenue primarily due to other utility rebilling programs and offset by decreases in miscellaneous income.

Property expenses from our same store communities increased $1.1 million, or 2.0%, for the three months ended March 31, 2010 as compared to the same period in 2009. The increases in same store property expenses were primarily due to increases in expenses for our utility rebilling programs, repairs and maintenance, and higher property insurance costs. These increases were partially offset by lower real estate taxes as a result of declining rates and valuations at a number of our communities and a slight decline in compensation costs primarily due to lower incentive payments. Excluding the expenses associated with our utility rebilling programs, same store property expenses for this period increased approximately $0.6 million, or 1.1%.

*Non-same store analysis*

Property revenues from non-same store and development and lease-up communities increased $2.2 million for the three months ended March 31, 2010 as compared to the same period in 2009. The increases during the period were primarily due to five properties in our re-development and development pipelines reaching stabilization during 2009. The increases were also due to the completion and lease up of the remaining consolidated properties included in our

development pipeline during the three months ended March 31, 2010. See Development and Lease-Up Properties above for additional detail of occupancy at properties in our development pipeline.

Property expenses from non-same store and development and lease-up communities increased $0.7 million for the three months ended March 31, 2010 as compared to the same period in 2009. The increases during the period were primarily due to five properties in our re-development and development pipelines reaching stabilization during 2009 and the completion and lease-up of the remaining properties in our re-development and development pipelines during the three months ended March 31, 2010.

*Dispositions/other property analysis*

Disposition/other property revenues related primarily to other non-multifamily rental properties for each of the three months ended March 31, 2010 and 2009.

Dispositions/other property expenses increased $0.3 million for the three months ended March 31, 2010 as compared to the same period in 2009. The increase was primarily related to increases in property taxes expensed on land holdings for eight projects for which we decided in 2009 to postpone development for the foreseeable future. As a result we ceased capitalization of expenses, including property taxes.

Non-property income

| | Three Months Ended March 31, | | Change | |
|---|---|---|---|---|
| *($ in thousands)* | **2010** | **2009** | **$** | **%** |
| Fee and asset management | $ 1,838 | $ 2,031 | $ (193) | (9.5)% |
| Interest and other income | 3,045 | 735 | 2,310 | * |
| Income (loss) on deferred compensation plans | 3,482 | (4,152) | 7,634 | * |
| **Total non-property income (loss)** | $ 8,365 | $ (1,386) | $ 9,751 | * |

* *Not a meaningful percentage*

Fee and asset management income decreased $0.2 million for the three months ended March 31, 2010 as compared to the same period in 2009. The decrease was primarily related to declines in development and construction fees earned on our development joint ventures in 2010 as compared to 2009 due to the completion of construction activities at several joint venture communities in 2009 and 2010. The decrease was also the result of lower fees earned on our stabilized joint ventures due to declines in rental income during the three months ended March 31, 2010 as compared to the same period in 2009.

Interest and other income increased $2.3 million for the three months ended March 31, 2010 as compared to the same period in 2009. The increase was primarily due to recognition of approximately $2.7 million of other income relating to indemnification provisions in an operating joint venture agreement which expired in January 2010. The increase in other income was partially offset by a $0.3 million decrease in interest income primarily due to declines in interest income on our mezzanine loan portfolio related to contractual reductions in interest rates on mezzanine loans for development communities which have reached stabilization, reductions in interest earned on certain variable rate mezzanine notes due to declines in LIBOR, and lower balances of outstanding mezzanine loans.

Income on deferred compensation plans increased $7.6 million for the three months ended March 31, 2010 as compared to the same period in 2009. This increase was related to the performance of the investments held in deferred compensation plans for participants and was directly offset by the expense related to these plans, as discussed below.

Other expenses

| | Three Months Ended March 31, | | Change | |
|---|---|---|---|---|
| *($ in thousands)* | **2010** | **2009** | **$** | **%** |
| Property management | $ 5,183 | $ 4,929 | $ 254 | 5.1% |
| Fee and asset management | 1,194 | 1,135 | 59 | 5.2 |
| General and administrative | 7,404 | 8,232 | (828) | (10.0) |
| Interest | 31,555 | 32,245 | (690) | (2.1) |
| Depreciation and amortization | 43,813 | 43,980 | (167) | |
| Amortization of deferred financing costs | 726 | 817 | (91) | (11.1) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Expense (benefit) on deferred compensation plans | | 3,482 | | (4,152) | | 7,634 | * |
| **Total other expenses** | $ | 93,357 | $ | 87,186 | $ | 6,171 | 7.1% |

* *Not a meaningful percentage*

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Property management expense, which represents regional supervision and accounting costs related to property operations, increased approximately $0.3 million for the three months ended March 31, 2010 as compared to the same period in 2009. The increase in 2010 was due to an increase in salary and benefit expenses partially offset by a decrease in other discretionary expenses due to various cost-saving measures.

Fee and asset management expense, which represents expenses related to third-party construction projects and property management, increased approximately $0.1 million for the three months ended March 31, 2010 as compared to the same period in 2009. This increase was primarily due to an increase in legal expenses.

General and administrative expense decreased $0.8 million for the three months ended March 31, 2010 as compared to the same period in 2009. This decrease was primarily due to $1.0 million in severance payments made in connection with the reduction in force of our construction and development staff in January 2009 and a decrease in other discretionary expenses during the three months ended March 31, 2010 due to various cost-saving measures. These decreases were partially offset by an increase in salary and benefit expenses, including long-term incentive compensation, during the three months ended March 31, 2010 as compared to 2009. General and administrative expenses were 4.7% and 5.2% of total property revenues and non-property income, excluding income (loss) on deferred compensation plans, for the three months ended March 31, 2010 and 2009, respectively.

Interest expense for the three months ended March 31, 2010 decreased approximately $0.7 million as compared to the same period in 2009. The decrease was primarily due to decreases in indebtedness as a result of early retirement of outstanding debt of approximately $325.0 million during the first six months of 2009 and payments of maturing secured and unsecured notes payable during 2009 and 2010. Additionally, interest expense was lower during the first quarter of 2010 due to the reduction of balances outstanding on our unsecured line of credit as compared to the same period in 2009. The early retirement of outstanding debt and reductions to the balances outstanding on our line of credit in part resulted from approximately $272.1 million of net proceeds received from the completion of our equity offering during the second quarter of 2009. The decreases discussed above were partially offset by the increased interest expense incurred on our $420 million credit facility entered into during the second quarter of 2009. The decreases were further offset due to lower capitalized interest of approximately $1.1 million during the first quarter 2010 as compared to the same period in 2009 as a result of the completion of units in our development pipeline and our decision in fiscal year 2009 to postpone the development of land holdings for eight future projects for the foreseeable future.

Depreciation and amortization decreased $0.2 million for the three months ended March 31, 2010 as compared to the same period in 2009 due to an increase in assets being fully depreciated in 2010, offset by new development and capital improvements placed in service during 2009.

Amortization of deferred financing costs decreased approximately $0.1 million for the three months ended March 31, 2010 as compared to the same period in 2009. This decrease was primarily due to the repurchase and retirement of certain series of notes during 2009, partially offset by additional financing costs incurred on our $420 million credit facility entered into in the second quarter of 2009.

Expense on deferred compensation plans increased $7.6 million during the three months ended March 31, 2010 as compared to the same period in 2009. This increase was related to the performance of the investments held in deferred compensation plans for participants and was directly offset by the income related to these plans, as discussed above.

Other

| | **Three Months Ended March 31,** | | **Change** | |
|---|---|---|---|---|
| *($ in thousands)* | **2010** | **2009** | **$** | **%** |
| Gain on early retirement of debt | $ | $ 166 | $ (166) | 100.0% |
| Equity in income (loss) of joint ventures | (105) | 408 | (513) | * |
| Income tax expense current | (270) | (299) | 29 | (9.7) |

* *Not a meaningful*

*percentage*

Equity in income (loss) of joint ventures decreased $0.5 million for the three months ended March 31, 2010 as compared to the same period in 2009. The decrease was primarily the result of declining earnings by our stabilized operating joint ventures due to declines in rental income, offset by increases resulting from certain of our developments held by joint ventures reaching or nearing stabilization in late 2009 and early 2010.

During the three months ended March 31, 2010 and 2009, we incurred entity-level taxes for our operating partnership and other state and local taxes totaling $0.3 million. The slight decrease during the three months ended March 31, 2010 as compared to the same period in 2009 was due to lower state taxes resulting from lower revenues.

Noncontrolling interests

| | Three Months Ended March 31, | | Change | |
|---|---|---|---|---|
| *($ in thousands)* | **2010** | **2009** | **$** | **%** |
| Income (loss) allocated to noncontrolling interests from continuing operations | $ (254) | $ 521 | $ (775) | (148.8%) |
| Income allocated to perpetual preferred units | 1,750 | 1,750 | | |

Income (loss) allocated to noncontrolling interests from continuing operations decreased $0.8 million for the three months ended March 31, 2010 as compared to the same period in 2009. The decrease was primarily due to the completion and lease-up of a property within a fully-consolidated joint venture during the three months ended March 31, 2010, of which we retain a 25% ownership.

**Funds from Operations ( FFO )**

Management considers FFO to be an appropriate measure of the financial performance of an equity REIT. The National Association of Real Estate Investment Trusts ( NAREIT ) currently defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) associated with the sale of previously depreciated operating properties, real estate depreciation and amortization, and adjustments for unconsolidated joint ventures. Our calculation of diluted FFO also assumes conversion of all potentially dilutive securities, including certain noncontrolling interests, which are convertible into common shares. We consider FFO to be an appropriate supplemental measure of operating performance because, by excluding gains or losses on dispositions of operating properties and depreciation, FFO can help one compare the operating performance of a company s real estate between periods or as compared to different companies.

To facilitate a clear understanding of our consolidated historical operating results, we believe FFO should be examined in conjunction with net income attributable to common shareholders as presented in the condensed consolidated statements of income and comprehensive income and data included elsewhere in this report. FFO is not defined by GAAP and should not be considered as an alternative to net income attributable to common shareholders as an indication of our operating performance. Additionally, FFO as disclosed by other REITs may not be comparable to our calculation.

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Reconciliations of net income attributable to common shareholders to diluted FFO for the three months ended March 31, 2010 and 2009 are as follows:

| *($ in thousands)* | Three Months Ended March 31, 2010 | 2009 |
|---|---|---|
| **Funds from operations** | | |
| Net income attributable to common shareholders | $ 2,285 | $ 6,234 |
| Real estate depreciation and amortization, including discontinued operations | 42,639 | 43,010 |
| Adjustments for unconsolidated joint ventures | 2,163 | 1,916 |
| Income (loss) allocated to noncontrolling interests | (105) | 421 |
| **Funds from operations diluted** | $ 46,982 | $ 51,581 |
| **Weighted average shares basic** | 66,475 | 55,552 |
| Incremental shares issuable from assumed conversion of: | | |
| Common share options and awards granted | 173 | |
| Common units | 2,647 | 2,919 |
| **Weighted average shares diluted** | 69,295 | 58,471 |

**Liquidity and Capital Resources**

Financial Condition and Sources of Liquidity

We intend to maintain a strong balance sheet and preserve our financial flexibility, which we believe should enhance our ability to identify and capitalize on investment opportunities as they become available. We intend to maintain what management believes is a conservative capital structure by:

- extending and sequencing the maturity dates of our debt where practicable;
- managing interest rate exposure using what management believes to be prudent levels of fixed and floating rate debt;
- maintaining what management believes to be conservative coverage ratios; and
- using what management believes to be a prudent combination of debt and common and preferred equity.

Our interest expense coverage ratio, net of capitalized interest, was 2.5 and 2.6 times for the three months ended March 31, 2010, and 2009, respectively. Our interest expense coverage ratio is calculated by dividing interest expense for the period into the sum of property revenues and expenses, non-property income, other expenses, income from discontinued operations, depreciation, amortization, and interest expense. This ratio is a method for calculating the amount of operating cash flows available to cover interest expense. At March 31, 2010 and 2009, 72.8% and 79.9%, respectively, of our properties (based on invested capital) were unencumbered. Our weighted average maturity of debt, including our line of credit, was 5.5 years at March 31, 2010.

Due to the instability experienced during the challenging economic environment, we believe the strength of an economic recovery is unclear and these conditions may not improve quickly. We plan to continue to primarily focus on strengthening our capital and liquidity position by generating positive cash flows from operations, reducing outstanding debt and leverage ratios, and controlling and reducing construction and overhead costs.

Our primary source of liquidity is cash flow generated from operations. Other sources include the availability under our unsecured credit facility and other short-term borrowings, secured mortgage debt, proceeds from dispositions of properties and other investments, and access to the capital markets including our ATM share offering program. We

believe our liquidity and financial condition are sufficient to meet all of our reasonably anticipated cash flow needs during 2010 including:

- normal recurring operating expenses;
- current debt service requirements;
- recurring capital expenditures;

- initial funding of property developments, acquisitions, joint venture investments, and notes receivable; and

- the minimum dividend payments required to maintain our REIT qualification under the Internal Revenue Code of 1986.

Factors which could increase or decrease our future liquidity include, but are not limited to, current volatility in capital and credit markets, sources of financing, our ability to complete asset sales, the effect our debt level and decreases in credit ratings could have on our costs of funds and our ability to access capital markets, and changes in operating costs resulting from a weakened economy, all of which could adversely impact occupancy and rental rates and our liquidity.

Cash Flows

Certain sources and uses of cash, such as the level of discretionary capital expenditures, repurchases of debt and common shares, and distributions paid on our equity securities are within our control and are adjusted as necessary based upon, among other factors, market conditions. The following is a discussion of our cash flows for the three months ended March 31, 2010 and 2009.

Net cash from operating activities was $41.8 million during the three months ended March 31, 2010 as compared to $51.2 million for the same period in 2009. The decrease was primarily due to declines in property revenues and higher property expenses within our stabilized communities. See further discussions of our first quarter 2010 operations as compared to 2009 in our Results of Operations discussion above. The decrease in net cash from operating activities was also due to the timing of payments in operating accounts, primarily relating to real estate taxes and other liabilities.

Net cash used in investing activities during the three months ended March 31, 2010 totaled $11.7 million as compared to $9.1 million during the three months ended March 31, 2009. Cash outflows for property development and capital improvements were $11.1 million during the three months ended March 31, 2010 as compared to $18.6 million for the same period in 2009 due to the timing of completions of communities in our development pipeline and a reduction in construction and development activity in 2010 as compared to 2009. The cash outflows during the three months ended March 31, 2009 were offset primarily by proceeds received from payments in notes receivable - other for approximately $8.7 million.

Net cash used in financing activities totaled $65.7 million for the three months ended March 31, 2010, primarily as a result of the repayment of maturing outstanding unsecured notes payable of $55.3 million, and distributions paid to common shareholders, perpetual preferred unit holders, and noncontrolling interest holders of $33.2 million. The cash outflows were partially offset by cash receipts of $17.2 million relating to proceeds received from the issuance of 0.4 million common shares under our ATM share offering program entered into in March 2010. Cash outflows were further offset by decreases in accounts receivable from affiliates of approximately $3.5 million relating to proceeds received from participant withdrawals from our rabbi trust and approximately $1.8 million for proceeds received from secured notes payable relating to a construction loan for a consolidated joint venture. During the three months ended March 31, 2009, we used approximately $42.3 million in financing activities primarily to repay approximately $100.0 million of outstanding notes payable consisting primarily of $90.5 million of maturing secured and unsecured notes payable, and early retirement of existing senior unsecured notes of approximately $7.2 million. Net cash used in financing activities during the three months ended March 31, 2009 was also attributable to distributions paid to common shareholders, perpetual preferred unit holders, and noncontrolling interest holders of $43.2 million. The cash outflows during this same period were offset by increases in balances outstanding under our line of credit of $96.0 million and approximately $4.1 million for proceeds received from secured notes payable relating to a construction loan for a consolidated joint venture.

Financial Flexibility

We have a $600 million unsecured credit facility which matures in January 2011. The scheduled interest rate spreads are subject to change as our credit ratings change. Advances under the line of credit may be priced at the scheduled rates, or we may enter into bid rate loans with participating banks at rates below the scheduled rates. These bid rate loans have terms of six months or less and may not exceed the lesser of $300 million or the remaining amount available under the line of credit. The line of credit is subject to customary financial covenants and limitations, all of which we are in compliance. We are currently in discussions with various lenders regarding a new unsecured credit facility to replace our existing $600 million unsecured credit facility.

Our line of credit provides us with the ability to issue up to $100 million in letters of credit. While our issuance of letters of credit does not increase our borrowings outstanding under our line of credit, it does reduce the amount available. At March 31, 2010, we had outstanding letters of credit totaling approximately $10.4 million, and had approximately $589.6 million available under our unsecured line of credit.

As an alternative to our unsecured line of credit, from time to time we borrow using competitively bid unsecured short-term notes with lenders who may or may not be a part of the unsecured line of credit bank group. Such borrowings vary in term and pricing and are typically priced at interest rates below those available under the unsecured line of credit.

We currently have an automatic shelf registration statement on file with the SEC which allows us to offer, from time to time, an unlimited amount of common shares, preferred shares, debt securities, or warrants. Our declaration of trust provides we may issue up to 110 million shares of beneficial interest, consisting of 100 million common shares and 10 million preferred shares. As of March 31, 2010, we had approximately 65.0 million common shares outstanding, net of treasury shares and shares held in our deferred compensation arrangements, and no preferred shares outstanding.

In March 2010, we announced the creation of an ATM share offering program through which we can sell common shares having an aggregate offering price of up to $250 million from time to time into the existing trading market at current market prices as well as through negotiated transactions. We may, but shall have no obligation to, sell common shares through the ATM share offering program in amounts and at times as we determine. Actual sales will depend on a variety of factors we determine from time to time, including, among others, market conditions, the trading price of our common shares and determinations of the appropriate sources of funding for us. During the three months ended March 31, 2010, we issued approximately 0.4 million shares at an average price of $43.64 per share for total net consideration of approximately $17.2 million through the ATM share offering program. In addition, during the second quarter of 2010 through May 7, 2010, we issued approximately 0.8 million common shares at an average price of $45.27 per share for total net consideration of approximately $36.8 million. Cumulative to date, we have issued approximately 1.2 million common shares at an average price of $44.74 for total net consideration of approximately $54.0 million. As of May 7, 2010, we had common shares having an aggregate offering price of up to $195.0 million remaining available for issuance under the ATM program.

We believe our ability to access capital markets is enhanced by our senior unsecured debt ratings by Moody s and Standard and Poor s, which are currently Baa1 and BBB, respectively, with stable outlooks, as well as by our ability to borrow on a secured basis from Fannie Mae or Freddie Mac. However, we may not be able to maintain our current credit ratings and may not be able to borrow on a secured or unsecured basis in the future. The capital and credit markets have been experiencing continued volatility and disruption. We have noted a recent increase in issuances of debt and equity by REITs at more attractive rates. While this may be a positive sign, we are uncertain if this level of activity will increase or continue.

Future Cash Requirements and Contractual Obligations

One of our principal long-term liquidity requirements includes the repayment of maturing debt, including borrowings under our unsecured line of credit used to fund development and acquisition activities. During the remainder of 2010, approximately $85.3 million of debt maturities, including scheduled principal amortizations, are scheduled to mature. We intend to meet our long-term liquidity requirements through cash flows generated from operations, draws on our unsecured credit facility, proceeds from property dispositions and secured mortgage notes, and the use of debt and equity offerings under our automatic shelf registration statement, including under our ATM share offering program.

In order for us to continue to qualify as a REIT we are required to distribute annual dividends equal to a minimum of 90% of our REIT taxable income, computed without regard to the dividends paid deduction and our net capital gains. In March 2010, we announced our Board of Trust Managers had declared a dividend distribution of $0.45 per share to common shareholders of record as of March 31, 2010. The dividend was subsequently paid on April 16, 2010. We paid equivalent amounts per unit to holders of the common operating partnership units. This distribution to common shareholders and holders of common operating partnership units equates to an annualized dividend rate of $1.80 per share or unit.

**Off-Balance Sheet Arrangements**

The joint ventures in which we have an interest have been funded in part with secured, third-party debt. We are also committed to additional funding under mezzanine loans provided to joint ventures. We have guaranteed no more than our proportionate interest, totaling approximately $60.8 million, of five loans utilized for construction and development activities for our joint ventures. Our commitment to fund additional amounts under the mezzanine loans was an aggregate of approximately $7.1 million at March 31, 2010.

**Inflation**

Substantially all of our apartment leases are for a term generally ranging from six to fifteen months. In an inflationary environment, we may realize increased rents at the commencement of new leases or upon the renewal of existing leases. The short-term nature of our leases generally minimizes our risk from the adverse affects of inflation.

**Critical Accounting Policies**

The Company s critical accounting policies have not changed materially from information reported in the Company s Annual Report on Form 10-K for the year ended December 31, 2009.

*Recent Accounting Pronouncements.* In December 2009, the FASB issued ASU 2009-17, *Consolidations (Topic 810) Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities,* which codified the previously issued Statement of Financial Accounting Standards 167, *Amendments to FASB Interpretation No. 46R.* ASU 2009-17 changes the consolidation analysis for VIEs and requires a qualitative analysis to determine the primary beneficiary of the VIE. The determination of the primary beneficiary of a VIE is based on whether the entity has the power to direct matters which most significantly impact the activities of the VIE and has the obligation to absorb losses, or the right to receive benefits, of the VIE which could potentially be significant to the VIE. The ASU requires an ongoing reconsideration of the primary beneficiary and also amends the events triggering a reassessment of whether an entity is a VIE. ASU 2009-17 requires additional disclosures for VIEs, including disclosures about a reporting entity s involvement with VIEs, how a reporting entity s involvement with a VIE affects the reporting entity s financial statements, and significant judgments and assumptions made by the reporting entity to determine whether it must consolidate the VIE. ASU 2009-17 was effective for us beginning January 1, 2010. Our adoption of ASU 2009-17 did not have a material effect on our financial statements.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

No material changes to our exposures to market risk have occurred since our Annual Report on Form 10-K for the year ended December 31, 2009.

**Item 4. Controls and Procedures**

*Evaluation of disclosure controls and procedures.* We carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Securities Exchange Act ( Exchange Act ) Rules 13a-15(e) and 15d-15(e). Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded the disclosure controls and procedures as of the end of the period covered by this report are effective to ensure information required to be disclosed by us in our Exchange Act filings is recorded, processed, summarized, and reported within the periods specified in the Securities and Exchange Commission s rules and forms.

*Changes in internal controls*. There were no changes in our internal control over financial reporting (identified in connection with the evaluation required by paragraph (d) in Rules 13a-15 and 15d-15 under the Exchange Act) during our most recent fiscal quarter which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## PART II. OTHER INFORMATION

**Item 1. Legal Proceedings**

For discussion regarding legal proceedings, see Note 11, Commitments and Contingencies, to the condensed consolidated financial statements.

**Item 1A. Risk Factors**

There have been no material changes to the Risk Factors previously disclosed in Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2009.

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

None

**Item 3. Defaults Upon Senior Securities**

None

**Item 4. Reserved**

**Item 5. Other Information**

None

**Item 6. Exhibits**

(a) Exhibits

| | |
|---|---|
| 31.1 | Certification pursuant to Rule 13a-14(a) of Chief Executive Officer dated May 7, 2010. |
| 31.2 | Certification pursuant to Rule 13a-14(a) of Chief Financial Officer dated May 7, 2010. |
| 32.1 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002. |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on our behalf by the undersigned thereunto duly authorized.

**CAMDEN PROPERTY TRUST**

| | |
|---|---|
| /s/ Michael P. Gallagher | May 7, 2010 |
| Michael P. Gallagher<br>Vice President Chief Accounting Officer | Date |

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**Exhibit Index**

| Exhibit | Description of Exhibits |
|---|---|
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