

MID AMERICA APARTMENT COMMUNITIES INC
Form 10-K
February 27, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-K

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

For the fiscal year ended December 31, 2007

OR

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

For the transition period from _____ to _____

Commission File Number: **1-12762**

MID-AMERICA APARTMENT COMMUNITIES, INC.

(Exact name of registrant as specified in its charter)

TENNESSEE

(State or other jurisdiction of
Incorporation or Organization)

62-1543819

(I.R.S. Employer
Identification No.)

6584 POPLAR AVENUE, SUITE 300

MEMPHIS, TENNESSEE

(Address of principal executive offices)

38138

(Zip Code)

(901) 682-6600

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$.01 per share	New York Stock Exchange
Series H Cumulative Redeemable Preferred Stock, Par value \$.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. ☐ Yes ☒ No

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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 the filing requirements for the past 90 days. [X]Yes []No

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

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

Large accelerated filer [X] Accelerated filer []
Non-accelerated filer [] Smaller Reporting Company []
(Do not check if a smaller reporting company)

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

As of June 30, 2007, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$1,308,104,305, based on the closing sale price as reported on the New York Stock Exchange.

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

<u>Class</u>	<u>Outstanding at February 8, 2008</u>
Common Stock, \$.01 par value per share	25,775,580 shares

DOCUMENTS INCORPORATED BY REFERENCE

<u>Document</u>	<u>Parts Into Which Incorporated</u>
Certain portions of the Proxy Statement for the Annual Meeting of Shareholders to be held May 20, 2008 to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.	Part III

MID-AMERICA APARTMENT COMMUNITIES, INC.

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PART I

ITEM 1. BUSINESS.

Overview of Mid-America

Founded in 1994, Mid-America Apartment Communities, Inc., or Mid-America, is a Memphis, Tennessee-based self-administered and self-managed umbrella partnership real estate investment trust, or REIT, that focuses on acquiring, owning and operating apartment communities. We, together with our subsidiaries, report as a single business segment. As of December 31, 2007, Mid-America owned 100% of 137 properties representing 40,248 apartment units. Mid-America has from time-to-time participated in various joint ventures. While no apartment communities were held in a joint venture structure as of December 31, 2007, Mid-America had entered into an agreement with a partner to form Mid-America Multifamily Fund I, LLC, or Fund I, with the purpose of acquiring and repositioning apartment communities. Mid-America has a 33.33% ownership interest in Fund I and will receive a management fee, an asset management fee and have the opportunity to earn an incentive fee. Subsequent to year end, Fund I purchased its first community with 310 apartment units.

Mid-America's business is conducted principally through Mid-America Apartments, L.P., which we refer to as our operating partnership. Mid-America is the sole general partner of the operating partnership, holding 264,594 common units of partnership interest, or common units, comprising a 1% general partnership interest in the operating partnership as of December 31, 2007. Mid-America's wholly-owned qualified REIT subsidiary, MAC II of Delaware, Inc. is a limited partner in the operating partnership and, as of December 31, 2007, held 23,770,950 common units, or 89.84% of all outstanding common units.

Mid-America operated apartment communities in 13 states in 2007, employing 1,170 full time and 83 part time employees at December 31, 2007.

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Highlights for the year ended December 31, 2007:

- Same store net operating income, or NOI, increased 5.8% over the prior year, the third best performance for any year in the history of Mid-America.
- Strong operating results for the year helped to generate a 6.6% increase in FFO per share/unit over the prior year.
- FFO per share/unit performance is a record for Mid-America.
- The common dividend was increased effective with the January 31, 2008, distribution to a new annual rate of \$2.46.
- Physical occupancy at December 31, 2007 for the same store portfolio was 94.8%, up 0.6% compared to December 31, 2006 and represents a record for the past 11 years.
- Mid-America completed the renovation and repositioning of 2,075 apartments in 2007 which achieved rent increases averaging 14%.
- Mid-America continues to be in a strong financial position as its fixed charge coverage ratio reached 2.27 for the year, up from 2.15 for 2006.

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Operating Philosophy

Mid-America's primary objectives are to protect and grow existing property values, to maintain a stable and increasing cash flow that will fund its dividend through all parts of the real estate investment cycle, and to create new shareholder value by growing Mid-America in a disciplined manner. Mid-America focuses on growing shareholder value by effectively and efficiently operating its existing investments and, when accretive to shareholder value, through new investments.

Investment Focus. Mid-America's primary investment focus is on apartment communities in the Sunbelt region of the United States. Between 1994 and 1997, Mid-America grew largely through acquisition and redevelopment of existing communities. Between 1998 and 2002, its concentration was on development of new communities. Since 2003, we have focused on the acquisition of properties that we believe can be repositioned with appropriate use of capital and our operating management skills. We are currently focusing on increasing our investments in properties in larger and faster growing markets within our current geographic area, and intend to do this through acquiring apartment communities with the potential for above average growth. Beginning in 2005, Mid-America began an initiative of upgrading a significant number of our existing apartment communities, as well as a limited program of developing new apartments, principally as expansions of existing communities. We will continue our established process of selling mature assets, and will adapt our investment focus to opportunities and markets. In order to improve our return on investment, we have from time-to-time invested with joint venture partners and anticipate this will be a growing part of our strategy.

High Quality Assets. Mid-America strives to maintain its assets in excellent condition, believing that continuous maintenance will lead to higher long-run returns on investment. Mid-America believes that being recognized by civic and industry trade organizations for the high quality of our properties, landscaping, and property management will lead to higher rents and profitability and illustrates the high quality of our properties and operations. Mid-America periodically and selectively sells assets to ensure that its portfolio consists primarily of high quality, well-located properties within its market area.

Diversified Market Focus. We believe the stability of our cash flow is enhanced and it will generate higher risk adjusted cash flow returns, with lower volatility, through our diversified strategy of investments over high growth, growth and income, and stable markets throughout the Sunbelt region of the United States.

Intensive Property and Asset Management Focus. Mid-America has traditionally emphasized property management, and in the past three years, we have deepened our asset management functions to provide additional support in marketing, training, ancillary income and, most recently, revenue management. At December 31, 2007, Mid-America employed approximately 106 Certified Apartment Managers, a designation established by the National Apartment Association, which provides training for on-site manager professionals.

Decentralized Operational Structure. Mid-America operates in a decentralized manner. We believe that our decentralized operating structure capitalizes on specific market knowledge, provides greater personal accountability than a centralized structure and is beneficial in the acquisition and redevelopment processes. To support this decentralized operational structure, senior and executive management, along with various asset management functions, are proactively involved in supporting and reviewing property management through extensive reporting processes and frequent on-site visitations. In 2004, Mid-America completed the installation of the property and accounting modules of a new web-based property management system that increased the amount of information shared between senior and executive management and the properties on a real time basis, improving the support provided to on-site property operations.

In 2005, we made significant improvements to our operating platform and we expect these enhancements will help capture more operating efficiencies, continue to support effective expense control and provide for various expanded revenue management practices. In the second quarter of 2007, we implemented a new "yield management" pricing program that we expect will help our property managers to optimize rental revenues. In the third quarter of 2007, we installed new purchase order and accounts payable software and implemented processes to provide improved controls and management information.

Proactive Balance Sheet and Portfolio Management

Mid-America focuses on improving the net present value of each share of Mid-America common stock. We routinely evaluate each asset and from time-to-time sell those that no longer fit our strategy. Mid-America makes new investments and issues new equity when management believes it can add to value per share. In the past, Mid-America has sold assets to fund share repurchases when, in management's view, shareholder value would be enhanced.

Strategies

Mid-America seeks to increase operating cash flow and earnings per share to maximize shareholder value through a balanced strategy of internal and external growth.

Operating Growth Strategy. Mid-America's goal is to maximize our return on investment in each apartment community by increasing revenues, tightly controlling operating expenses, maintaining high occupancy levels and reinvesting as appropriate. The steps taken to meet these objectives include:

- providing management information and improved customer services through technology innovations;
- utilizing systems to enhance property managers' ability to optimize revenue by adjusting rents in response to local market conditions;
- developing new ancillary income programs aimed at offering new services to residents, including telephone, cable, and internet access, on which Mid-America generates fee and commission income;
- implementing programs to control expenses through investment in cost-saving initiatives, such as the installation of individual apartment unit water and utility meters in certain apartment communities;
- analyzing individual asset productivity performances to identify best practices and improvement areas;
- proactively maintaining the physical condition of each property;
- improving the "curb appeal" of the apartment communities through extensive landscaping and exterior improvements and repositioning apartment communities from time-to-time to maintain market leadership positions;
- compensating employees through performance-based compensation and stock ownership programs;

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- maintaining a hands-on management style and "flat" organizational structure that emphasizes senior management's continued close contact with the market and employees;
- selling or exchanging underperforming assets;
- repurchasing or issuing shares of common or preferred stock when cost of capital and asset values permit;
- aggressively managing lease expirations to align with peak leasing traffic patterns and to maximize productivity of property staffing; and
- allocating additional capital, including capital for selective interior and exterior improvements, where the investment will generate the highest returns for Mid-America.

Joint Venture Strategy. One of Mid-America's strategies is to co-invest with partners in joint venture opportunities from time-to-time to the extent we believe that a joint venture will enable us to obtain a higher return on our investment through management and other fees, which leverage our skills in acquiring, repositioning, redeveloping and managing multifamily investments. In addition, the joint venture investment strategy can provide a platform for creating more capital diversification and lower investment risk for Mid-America.

Disposition Strategy. Mid-America from time-to-time disposes of mature assets, defined as those apartment communities that no longer meet our investment criteria and long-term strategic objectives. Typically, Mid-America selects assets for disposition that do not meet our present investment criteria including estimated future return on investment, location, market, potential for growth, and capital needs. Mid-America may from time-to-time also dispose of assets for which we receive an offer meeting or exceeding our return on investment criteria even though those assets may not meet the disposition criteria disclosed above.

The following apartment communities were sold during 2007:

Property	Location	Number of Units	Date Sold
100% Owned Properties:			
Woodridge	Jackson, MS	192	July 16, 2007
Somerset	Jackson, MS	144	July 16, 2007
Hickory Farms	Memphis, TN	200	May 3, 2007
Gleneagles	Memphis, TN	184	May 3, 2007
Joint Venture Properties			
Verandas at Timberglenn	Dallas, TX	522	January 12, 2007
		1,242	

Acquisition Strategy. One of Mid-America's growth strategies is to acquire and redevelop apartment communities that meet our investment criteria and focus as discussed above. Mid-America has extensive experience and research-based skills in the acquisition and repositioning of multifamily communities. In addition, Mid-America will acquire newly built and developed communities that can be purchased on a favorable pricing basis. Mid-America will continue to evaluate opportunities that arise, and will utilize this strategy to increase the number of apartment communities in strong and growing markets in the Sunbelt region of the United States.

The following apartment communities were purchased during 2007:

Property	Location	Number of Units	Date Purchased
100% Owned Properties:			

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Farmington Village	Summerville, SC	280	September 20, 2007
Chalet at Fall Creek	Humble, TX	268	July 6, 2007
Park Place	Houston, TX	229	May 30, 2007
Ranchstone	Houston, TX	220	May 30, 2007
		997	

Development Strategy. In 2006, Mid-America began some expansion development projects at existing apartment communities on adjacent land. We do not currently intend to expand into development in a significant way. We prefer to capture accretive new growth through opportunistically acquiring new properties.

Common and Preferred Stock

Mid-America continuously reviews opportunities for lowering our cost of capital, and increasing net present value per share. Mid-America evaluates opportunities to repurchase stock when we believe that our stock price is below our net present value and accordingly repurchased common stock, funded by asset sales, between 1999 and 2001. Mid-America also looks for opportunities where we can acquire or develop apartment communities, selectively funded or partially funded by stock sales, when the investment return is projected to substantially exceed our cost of capital. Mid-America will also opportunistically seek to lower our cost of capital through refinancing preferred stock as we did in 2003, 2006 and 2007.

On November 3, 2006, Mid-America entered into a sales agreement with Cantor Fitzgerald & Co. to sell up to 2,000,000 shares of Mid-America's common stock, from time-to-time in at-the-market offerings or negotiated transactions through a controlled equity offering program. From January through April of 2007, Mid-America sold 323,700 shares of common stock for net proceeds of approximately \$18.8 million after underwriting commissions and SEC fees, an average net price of \$58.00 per share.

In October 2007, Mid-America redeemed all of our issued and outstanding 9¼% Series F Cumulative Redeemable Preferred Stock for \$11.9 million.

Mid-America also has a direct stock purchase plan which allows for the optional purchase of common stock of at least \$250, but not more than \$5,000 in any given month, free of brokerage commissions and charges. We, in our absolute discretion, may grant waivers to allow for optional cash payments in excess of \$5,000. Throughout 2007, we issued a total of 136,483 shares through our direct stock purchase plan at an average 1.5% discount. No waivers were granted during 2007.

Share Repurchase Program

In 1999, Mid-America's Board of Directors approved an increase in the number of shares of Mid-America's common stock authorized to be repurchased to 4 million shares. As of December 31, 2007, Mid-America had repurchased a total of approximately 1.86 million shares (8% of the shares of common stock and common units outstanding as of the beginning of the repurchase program). From time-to-time, we intend to sell assets based on our disposition strategy outlined in this Annual Report and use the proceeds to repurchase shares when we believe that shareholder value is enhanced. Factors affecting this determination include the share price, asset dispositions and pricing, financing agreements and rates of return. No shares were repurchased from 2002 through 2007 under this plan.

Competition

All of Mid-America's apartment communities are located in areas that include other apartment communities. Occupancy and rental rates are affected by the number of competitive apartment communities in a particular area. The owners of competing apartment communities may have greater resources than Mid-America, and the managers of these apartment communities may have more experience than Mid-America's management. Moreover, single-family rental housing, manufactured housing, condominiums and the new and existing home markets provide housing alternatives to potential residents of apartment communities.

Apartment communities compete on the basis of monthly rent, discounts, and facilities offered such as apartment size and amenities, and apartment community amenities, including recreational facilities, resident services, and physical property condition. Mid-America makes capital improvements to both our apartment communities and individual apartments on a regular basis in order to maintain a competitive position in each individual market.

Environmental Matters

As part of the acquisition process, Mid-America obtains environmental studies on all of our apartment communities from various outside environmental engineering firms. The purpose of these studies is to identify potential sources of contamination at the apartment communities and to assess the status of environmental regulatory compliance. These studies generally include historical reviews of the apartment communities, reviews of certain public records, preliminary investigations of the sites and surrounding properties, visual inspection for the presence of asbestos, PCBs and underground storage tanks and the preparation and issuance of written reports. Depending on the results of these studies, more invasive procedures, such as soil sampling or ground water analysis, will be performed to investigate potential sources of contamination. These studies must be satisfactorily completed before Mid-America takes ownership of an acquisition community; however, no assurance can be given that the studies identify all significant environmental problems.

Under various federal, state and local laws and regulations, an owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances on properties. Such laws often impose such liability without regard to whether the owner caused or knew of the presence of hazardous or toxic substances and whether the storage of such substances was in violation of a resident's lease. Furthermore, the cost of remediation and removal of such substances may be substantial, and the presence of such substances, or the failure to promptly remediate such substances, may adversely affect the owner's ability to sell such real estate or to borrow using such real estate as collateral.

Mid-America is aware of environmental concerns specifically relating to potential issues resulting from mold in residential properties and has in place an active management and preventive maintenance program that includes procedures specifically related to mold. Mid-America has established a policy requiring residents to sign a mold addendum to lease. Mid-America has also purchased a \$5 million insurance policy that covers remediation and exposure to mold. The current policy expires in 2010 but is renewable at that time. Mid-America, therefore, believes that our exposure to this issue is limited and controlled.

The environmental studies received by Mid-America have not revealed any material environmental liabilities. Mid-America is not aware of any existing conditions that would currently be considered an environmental liability. Nevertheless, it is possible that the studies do not reveal all environmental liabilities or that there are material environmental liabilities of which Mid-America is unaware. Moreover, no assurance can be given concerning future laws, ordinances or regulations, or the potential introduction of hazardous or toxic substances by neighboring properties or residents.

Mid-America believes that our apartment communities are in compliance in all material respects with all applicable federal, state and local ordinances and regulations regarding hazardous or toxic substances and other environmental matters.

Website Access to Registrant's Reports

Mid-America files annual and periodic reports with the Securities and Exchange Commission. All filings made by Mid-America with the SEC may be copied or read at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC as Mid-America does. The website is <http://www.sec.gov>.

Additionally, a copy of this Annual Report on Form 10-K, along with Mid-America's Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to the aforementioned filings, are available on

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Mid-America's website free of charge. The filings can be found on the Investor Relations page under SEC Filings. Mid-America's website also contains our Corporate Governance Guidelines, Code of Business Conduct and Ethics and the charters of the committees of the Board of Directors. These items can also be found on the Investor Relations page under Governance Documents. Mid-America's website address is <http://www.maac.net>. Reference to Mid-America's website does not constitute incorporation by reference of the information contained on the site and should not be considered part of this document. All of the aforementioned materials may also be obtained free of charge by contacting the Investor Relations Department at Mid-America Apartment Communities, Inc., 6584 Poplar Avenue, Suite 300, Memphis, TN 38138.

Recent Developments

Acquisitions. On January 10, 2008, Mid-America purchased the Cascade at Fall Creek apartments, a 246-unit community in Humble, TX.

On January 17, 2008, Fund I made its first acquisition and purchased the Milstead Village apartments, a 310-unit community located in Kennesaw, GA.

ITEM 1A. RISK FACTORS.

In addition to the other information contained in this Annual Report on Form 10-K, the following risk factors should be considered carefully in evaluating our business. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. Please note that additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations.

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Failure to Generate Sufficient Cash Flows Could Limit our Ability to Pay Distributions to Shareholders

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

- competition from other apartment communities;
- overbuilding of new apartment units or oversupply of available apartment units in Mid-America's markets, which might adversely affect apartment occupancy or rental rates and/or require rent concessions in order to lease apartment units;
- conversion of condominiums and single family houses to rental use;
- increases in operating costs (including real estate taxes and insurance premiums) due to inflation and other factors, which may not be offset by increased rents;
- inability to rent apartments on favorable economic terms;
- changes in governmental regulations and the related costs of compliance;
- changes in tax laws and housing laws including the enactment of rent control laws or other laws regulating multifamily housing;
- an uninsured loss, resulting from a catastrophic storm or act of terrorism;
- changes in interest rate levels and the availability of financing, which could lead renters to purchase homes (if interest rates decrease and home loans are more readily available) or increase Mid-America's acquisition and operating costs (if interest rates increase and financing is less readily available);
- weakness in the overall economy which lowers job growth and the associated demand for apartment housing; and
- the relative illiquidity of real estate investments.

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

Mid-America's Financing Could be Impacted by Negative Capital Market Conditions.

Recently, domestic financial markets have experienced unusual volatility and uncertainty. While this condition has occurred most visibly within the "subprime" mortgage lending sector of the credit market, liquidity has tightened in overall domestic financial markets, including the investment grade debt and equity capital markets. Consequently, there is greater risk that the financial institutions Mid-America does business with could experience disruptions that would negatively affect our current financing program.

Debt Level, Refinancing and Loan Covenant Risk May Adversely Affect Financial Condition and Operating Results and Our Ability to Maintain Our Status as a REIT

At December 31, 2007, Mid-America had total debt outstanding of \$1.3 billion. Payments of principal and interest on borrowings may leave Mid-America with insufficient cash resources to operate the apartment communities or pay distributions that are required to be paid in order for Mid-America to maintain our qualification as a REIT. Mid-America currently intends to limit our total debt to approximately 60% of the undepreciated book value of our assets, although our charter and bylaws do not limit our debt levels. Circumstances may cause Mid-America to exceed that target from time-to-time. As of December 31, 2007, Mid-America's ratio of debt to undepreciated book value was approximately 54%. Mid-America's Board of Directors can modify this policy at any time which could allow Mid-America to become more highly leveraged and decrease our ability to make distributions to our shareholders. In addition, Mid-America must repay its debt upon maturity, and the inability to access debt or equity capital at attractive rates could adversely affect Mid-America's financial condition and/or our funds from operations. Mid-America relies on Federal National Mortgage Association, or FNMA, and Federal Home Loan Mortgage Corporation, or Freddie Mac, which we refer to as the agencies, for the majority of our debt financing and has agreements with the agencies and with other lenders that require us to comply with certain covenants. The breach of any one of these covenants would place Mid-America in default with our lenders and may have serious consequences on the operations of Mid-America.

Variable Interest Rates May Adversely Affect Funds from Operations

At December 31, 2007, effectively \$226 million of Mid-America's debt bore interest at a variable rate and was not hedged by interest rate swaps or caps. Mid-America may incur additional debt in the future that also bears interest at variable rates. Variable rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect Mid-America's funds from operations and the amounts available to pay distributions to shareholders. Mid-America's \$1.0 billion secured credit facilities with Prudential Mortgage Capital, credit enhanced by FNMA, are predominately floating rate facilities. Mid-America also has credit facilities with Freddie Mac totaling \$300 million which are variable rate facilities. At December 31, 2007, a total of \$1.1 billion was outstanding under these facilities. These facilities represent the majority of the variable interest rates Mid-America was exposed to at December 31, 2007. Large portions of the interest rates on these facilities have been hedged by means of a number of interest rate swaps and caps. Upon the termination of these swaps and caps, Mid-America will be exposed to the risks of varying interest rates.

Interest Rate Hedging may be Ineffective

Mid-America relies on the financial markets to refinance debt maturities, and also is heavily reliant on the creditworthiness of FNMA, which provides credit enhancement for approximately \$906 million of Mid-America's debt. The interest rate market for FNMA Discount Mortgage Backed Securities, or DMBS, which in Mid-America's experience is highly correlated with three-month LIBOR interest rates, is also an important component of Mid-America's liquidity and interest rate swap effectiveness.

Typically, for the credit facility we have with FNMA, the DMBS rate has approximated three-month LIBOR less an average spread of 0.05% - 0.09% over the life of the facility. We also pay a credit enhancement fee, which in the case of FNMA facility, is 0.62%. In September 2007, however, the spread between three-month LIBOR and DMBS increased significantly, and peaked at 0.57% in December before dropping back to 0.27% in February 2008. While we believe that the current market illiquidity is an anomaly and that this spread will return to more historic levels, Mid-America cannot forecast when or if the uncertainty and volatility in the market may change. Continued unusual volatility could cause us to lose hedge accounting treatment for our interest rate swaps, resulting in material changes to our consolidated statements of operations and balance sheets, and potentially cause a breach with one of our debt covenants.

Issuances of Additional Debt or Equity May Adversely Impact Our Financial Condition

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

Increasing Real Estate Taxes and Insurance Costs May Negatively Impact Financial Condition

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

Losses from Catastrophes May Exceed Our Insurance Coverage

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

Property Insurance Limits May be Inadequate and Deductibles May be Excessive in the Event of a Catastrophic Loss or a Series of Major Losses, and May Cause a Breach of a Loan Covenant

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

Mid-America is dependent on Key Personnel

Our success depends in part on our ability to attract and retain the services of executive officers and other personnel. There is substantial competition for qualified personnel in the real estate industry and the loss of

several of our key personnel could have an adverse effect on us.

New Acquisitions May Fail to Perform as Expected and Failure to Integrate Acquired Communities and New Personnel Could Create Inefficiencies

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

Mid-America May Not Be Able To Sell Communities When Appropriate

Real estate investments are relatively illiquid and generally cannot be sold quickly. Mid-America may not be able to change our portfolio promptly in response to economic or other conditions. This inability to respond promptly to changes in the performance of our investments could adversely affect our financial condition and ability to make distributions to our security holders.

Environmental Problems are Possible and Can be Costly

Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at such community. The owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination. These laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site. All of our communities have been the subject of environmental assessments completed by qualified independent environmental consultant companies. These environmental assessments have not revealed, nor is Mid-America aware of, any environmental liability that our management believes would have a material adverse effect on our business, results of operations, financial condition or liquidity. Over the past several years, there have been an increasing number of lawsuits against owners and managers of multifamily properties alleging personal injury and property damage caused by the presence of mold in residential real estate.

Some of these lawsuits have resulted in substantial monetary judgments or settlements. Mid-America cannot be assured that existing environmental assessments of our communities reveal all environmental liabilities, that any prior owner of any of our properties did not create a material environmental condition not known to Mid-America, or that a material environmental condition does not otherwise exist.

Compliance or Failure to Comply with Laws Requiring Access to Our Properties by Disabled Persons Could Result in Substantial Cost

The Americans with Disabilities Act, the Fair Housing Act of 1988 and other federal, state and local laws generally require that public accommodations be made accessible to disabled persons. Noncompliance could result in the imposition of fines by the government or the award of damages to private litigants. These laws may require Mid-America to modify our existing communities. These laws may also restrict renovations by requiring improved access to such buildings by disabled persons or may require Mid-America to add other structural features that increase our construction costs. Legislation or regulations adopted in the future may impose further burdens or restrictions on Mid-America with respect to improved access by disabled persons. Mid-America cannot ascertain the costs of compliance with these laws, which may be substantial.

Our Ownership Limit Restricts the Transferability of Our Capital Stock

Our charter limits ownership of our capital stock by any single shareholder to 9.9% of the value of all outstanding shares of our capital stock, both common and preferred. The charter also prohibits anyone from buying shares if the purchase would result in our losing REIT status. This could happen if a share transaction results in fewer than 100 persons owning all of our shares or in five or fewer persons, applying certain broad attribution rules of the Internal Revenue Code of 1986, as amended, or the Code, owning 50% or more of our shares. If you acquire shares in excess of the ownership limit or in violation of the ownership requirements of the Code for REITs, we:

- will consider the transfer to be null and void;
- will not reflect the transaction on our books;
- may institute legal action to enjoin the transaction;
- will not pay dividends or other distributions with respect to those shares;
- will not recognize any voting rights for those shares;
- will consider the shares held in trust for our benefit; and
- will either direct you to sell the shares and turn over any profit to us, or we will redeem the shares. If we redeem the shares, you will be paid a price equal to the lesser of:

(a) the price you paid for the shares; or

(b) the average of the last reported sales prices on the New York Stock Exchange on the ten trading days immediately preceding the date fixed for redemption by our Board of Directors.

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

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

Provisions of Our Charter and Tennessee Law May Limit the Ability of a Third Party to Acquire Control of Us

Ownership Limit

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

Preferred Stock

Our charter authorizes our Board of Directors to issue up to 20,000,000 shares of preferred stock. The Board of Directors may establish the preferences and rights of any preferred shares issued. The issuance of preferred stock could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our shareholders' best interests. Currently, we have 6,200,000 shares of 8.30% Series H Cumulative Redeemable Preferred Stock issued and outstanding.

Tennessee Anti-Takeover Statutes

As a Tennessee corporation, we are subject to various legislative acts, which impose restrictions on and require compliance with procedures designed to protect shareholders against unfair or coercive mergers and acquisitions. These statutes may delay or prevent offers to acquire us and increase the difficulty of consummating

any such offers, even if our acquisition would be in our shareholders' best interests.

Our Investments in Joint Ventures May Involve Risks

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

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

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

Failure to Qualify as a REIT Would Cause Mid-America to be Taxed as a Corporation

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

Failure to Make Required Distributions Would Subject Mid-America to Income Taxation

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

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

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

Complying with REIT Requirements May Cause Mid-America to Forgo Otherwise Attractive Opportunities or Engage in Marginal Investment Opportunities

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

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ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Mid-America seeks to acquire apartment communities located in the Sunbelt region of the United States that are primarily appealing to middle income residents with the potential for above average growth and return on investment. Approximately 73% of Mid-America's apartment units are located in Georgia, Florida, Tennessee and Texas markets. Mid-America's strategic focus is to provide our residents high quality apartment units in attractive community settings, characterized by extensive landscaping and attention to aesthetic detail. We utilize our experience and expertise in maintenance, landscaping, marketing and management to effectively reposition many of the apartment communities we acquire to raise occupancy levels and per unit average rents.

The following table sets forth certain historical information for the apartment communities we owned at December 31, 2007:

					Approximate Rentable	Average Unit
			Year		Area	Size
Property	Location	Year Completed	Management Commenced	Number of Units	(Square Footage)	(Square Footage)
100% Owned						
Eagle Ridge	Birmingham, AL	1986	1998	200	181,400	907
Abbingtion Place	Huntsville, AL	1987	1998	152	162,792	1,071
Paddock Club Huntsville	Huntsville, AL	1989/98	1997	392	414,736	1,058
Paddock Club Montgomery	Montgomery, AL	1999	1998	208	230,880	1,110
				952	989,808	1,040
Calais Forest	Little Rock, AR	1987	1994	260	195,000	750
Napa Valley	Little Rock, AR	1984	1996	240	183,120	763
Westside Creek I & II	Little Rock, AR	1984/86	1997	308	320,936	1,042
				808	699,056	865
Talus Ranch	Phoenix, AZ	2006	2006	480	437,280	911
				480	437,280	911
Tiffany Oaks	Altamonte Springs, FL	1985	1996	288	234,144	813
Marsh Oaks	Atlantic Beach, FL	1986	1995	120	93,240	777
Indigo Point	Brandon, FL	1989	2000	240	194,640	811
Paddock Club Brandon	Brandon, FL	1997/99	1997	440	516,120	1,173
Preserve at Coral Square	Coral Springs, FL	1996	2004	480	528,480	1,101
Anatole	Daytona Beach, FL	1986	1995	208	149,136	717
Paddock Club Gainesville	Gainesville, FL	1999	1998	264	293,040	1,110
Cooper's Hawk	Jacksonville, FL	1987	1995	208	218,400	1,050
Hunter's Ridge at Deerwood	Jacksonville, FL	1987	1997	336	295,008	878
Lakeside	Jacksonville, FL	1985	1996	416	344,032	827
Lighthouse at Fleming Island	Jacksonville, FL	2003	2003	501	556,110	1,110
Paddock Club Jacksonville	Jacksonville, FL	1989/96	1997	440	475,200	1,080
Paddock Club Mandarin	Jacksonville, FL	1998	1998	288	330,336	1,147

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St. Augustine	Jacksonville, FL	1987	1995	400	304,400	761
Woodbridge at the Lake	Jacksonville, FL	1985	1994	188	166,004	883
Woodhollow	Jacksonville, FL	1986	1997	450	342,000	760
Paddock Club Lakeland	Lakeland, FL	1988/90	1997	464	505,296	1,089
Savannahs at James Landing	Melbourne, FL	1990	1995	256	238,592	932
Paddock Park Ocala	Ocala, FL	1986/88	1997	480	485,280	1,011
Paddock Club Panama City	Panama City, FL	2000	1998	254	283,972	1,118
Paddock Club Tallahassee	Tallahassee, FL	1990/95	1997	304	329,232	1,083
Belmere	Tampa, FL	1984	1994	210	202,440	964
Links at Carrollwood	Tampa, FL	1980	1998	230	214,820	934
				7,465	7,299,922	978
High Ridge	Athens, GA	1987	1997	160	186,560	1,166
Bradford Pointe	Augusta, GA	1986	1997	192	156,288	814
Shenandoah Ridge	Augusta, GA	1982	1994	272	222,768	819
Westbury Creek	Augusta, GA	1984	1997	120	107,040	892
Fountain Lake	Brunswick, GA	1983	1997	110	129,800	1,180

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Property	Location	Year		Number of Units	Approximate Rentable	Average Unit	
		Completed	Management Commenced		Area (Square Footage)	Size (Square Footage)	
Park Walk	College Park, GA	1985	1997	124	112,716	909	\$
Whisperwood	Columbus, GA	80/82/84/86/98	1997	1,008	1,220,688	1,211	\$
Willow Creek	Columbus, GA	1971/77	1997	285	246,810	866	\$
Terraces at Fieldstone	Conyers, GA	1999	1998	316	351,076	1,111	\$
Prescott	Duluth, GA	2001	2004	384	370,176	964	\$
Lanier	Gainesville, GA	1998	2005	344	395,944	1,151	\$
Lake Club	Gainesville, GA	2001	2005	313	359,950	1,150	\$
Whispering Pines	LaGrange, GA	1982/84	1997	216	223,128	1,033	\$
Westbury Springs	Lilburn, GA	1983	1997	150	137,700	918	\$
Austin Chase	Macon, GA	1996	1997	256	292,864	1,144	\$
The Vistas	Macon, GA	1985	1997	144	153,792	1,068	\$
Walden Run	McDonough, GA	1997	1998	240	271,200	1,130	\$
Georgetown Grove	Savannah, GA	1997	1998	220	239,800	1,090	\$
Oaks at Wilmington Island	Savannah, GA	1999	2006	306	300,492	982	\$
Wildwood	Thomasville, GA	1980/84	1997	216	223,128	1,033	\$
Hidden Lake	Union City, GA	1985/87	1997	320	342,400	1,070	\$
Three Oaks	Valdosta, GA	1983/84	1997	240	247,920	1,033	\$
Huntington Chase	Warner Robins, GA	1997	2000	200	218,400	1,092	\$
Southland Station	Warner Robins, GA	1987/90	1997	304	354,768	1,167	\$
Terraces at Townelake	Woodstock, GA	1999	1998	502	575,794	1,147	\$
				6,942	7,441,202	1,072	\$
Fairways at Hartland	Bowling Green, KY	1996	1997	240	251,280	1,047	\$
Paddock Club Florence	Florence, KY	1994	1997	200	207,000	1,035	\$
Grand Reserve Lexington	Lexington, KY	2000	1999	370	432,530	1,169	\$
Lakepointe	Lexington, KY	1986	1994	118	90,624	768	\$
Mansion, The	Lexington, KY	1989	1994	184	138,736	754	\$
Village, The	Lexington, KY	1989	1994	252	182,700	725	\$
Stonemill Village	Louisville, KY	1985	1994	384	324,096	844	\$
				1,748	1,626,966	931	\$
Riverhills	Grenada, MS	1972	1985	96	81,984	854	\$
Crosswinds	Jackson, MS	1988/90	1996	360	443,160	1,231	\$
Pear Orchard	Jackson, MS	1985	1994	389	338,430	870	\$
Reflection Pointe	Jackson, MS	1986	1988	296	254,856	861	\$
Lakeshore Landing	Ridgeland, MS	1974	1994	196	171,108	873	\$
Savannah Creek	Southaven, MS	1989	1996	204	237,048	1,162	\$
Sutton Place	Southaven, MS	1991	1996	253	268,686	1,062	\$
				1,794	1,795,272	1,001	\$
Hermitage at Beechtree	Cary, NC	1988	1997	194	169,750	875	\$
Waterford Forest	Cary, NC	1996	2005	384	344,448	897	\$
Woodstream	Greensboro, NC	1983	1994	304	217,056	714	\$

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Corners, The	Winston-Salem, NC	1982	1993	240	173,520	723	\$
Preserve at Brier Creek	Raleigh, NC	2002/07	2006	450	518,850	1,153	\$
				1,572	1,423,624	906	\$

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Property	Location	Year		Number of Units	Approximate Rentable	Average Unit
		Completed	Management Commenced		Area (Square Footage)	Size (Square Footage)
Fairways at Royal Oak	Cincinnati, OH	1988	1994	214	214,428	1,002
				214	214,428	1,002
Colony at South Park	Aiken, SC	1989/91	1997	184	174,800	950
Woodwinds	Aiken, SC	1988	1997	144	165,168	1,147
Tanglewood	Anderson, SC	1980	1994	168	146,664	873
Fairways, The	Columbia, SC	1992	1994	240	213,840	891
Paddock Club Columbia	Columbia, SC	1989/95	1997	336	367,584	1,094
Highland Ridge	Greenville, SC	1984	1995	168	143,976	857
Howell Commons	Greenville, SC	1986/88	1997	348	292,668	841
Paddock Club Greenville	Greenville, SC	1996	1997	208	212,160	1,020
Park Haywood	Greenville, SC	1983	1993	208	156,832	754
Spring Creek	Greenville, SC	1985	1995	208	182,000	875
Runaway Bay	Mt. Pleasant, SC	1988	1995	208	177,840	855
Park Place	Spartanburg, SC	1987	1997	184	195,224	1,061
Farmington Village	Summerville, SC	2007	2007	280	307,440	1,098
				2,884	2,736,196	949
Hamilton Pointe	Chattanooga, TN	1989	1992	361	256,671	711
Hidden Creek	Chattanooga, TN	1987	1988	300	259,200	864
Steeplechase	Chattanooga, TN	1986	1991	108	98,604	913
Windridge	Chattanooga, TN	1984	1997	174	238,728	1,372
Oaks, The	Jackson, TN	1978	1993	100	87,500	875
Post House Jackson	Jackson, TN	1987	1989	150	163,650	1,091
Post House North	Jackson, TN	1987	1989	144	144,720	1,005
Bradford Chase	Jackson, TN	1987	1994	148	121,360	820
Woods at Post House	Jackson, TN	1997	1995	122	118,950	975
Cedar Mill	Memphis, TN	1973/86	1982/94	276	297,804	1,079
Greenbrook	Memphis, TN	1974/78/83/86	1988	1,037	939,522	906
Kirby Station	Memphis, TN	1978	1994	371	310,156	836
Lincoln on the Green	Memphis, TN	1988/98	1994	618	535,188	866
Park Estate	Memphis, TN	1974	1977	82	96,924	1,182
Reserve at Dexter Lake	Memphis, TN	1999/01	1998	740	792,540	1,071
River Trace	Memphis, TN	1981/85	1997	440	370,920	843
Paddock Club Murfreesboro	Murfreesboro, TN	1999	1998	240	268,800	1,120
Brentwood Downs	Nashville, TN	1986	1994	286	220,220	770
Grand View Nashville	Nashville, TN	2001	1999	433	479,331	1,107
Monthaven Park	Nashville, TN	1999/01	2004	456	427,728	938
Park at Hermitage	Nashville, TN	1987	1995	440	392,480	892
				7,026	6,620,996	942
Northwood	Arlington, TX	1980	1998	270	224,100	830
Balcones Woods	Austin, TX	1983	1997	384	313,728	817
Grand Reserve at Sunset Valley	Austin, TX	1996	2004	210	198,240	944
Silverado	Austin, TX	2003	2006	312	303,264	972

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Year	Approximate Rentable	Average Unit	Month Rent per
	Area	Size	Unit a

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Property	Location	Year Completed	Management Commenced	Number of Units	(Square Footage)	(Square Footage)	December 31, 2007
Stassney Woods	Austin, TX	1985	1995	288	248,832	864	\$ 644.1
Travis Station	Austin, TX	1987	1995	304	249,888	822	\$ 590.9
Woods, The	Austin, TX	1977	1997	278	214,060	770	\$ 831.4
Celery Stalk	Dallas, TX	1978	1994	410	374,740	914	\$ 674.2
Courtyards at Campbell	Dallas, TX	1986	1998	232	168,200	725	\$ 678.9
Deer Run	Dallas, TX	1985	1998	304	206,720	680	\$ 633.8
Grand Courtyard	Dallas, TX	2000	2006	390	341,250	875	\$ 776.3
Lodge at Timberglen	Dallas, TX	1983	1994	260	226,200	870	\$ 663.9
Watermark	Dallas, TX	2002	2004	240	205,200	855	\$ 791.0
Legacy Pines	Houston, TX	1999	2003	308	283,360	920	\$ 939.2
Park Place (Houston)	Houston, TX	1996	2007	229	207,016	904	\$ 822.9
Ranchstone	Houston, TX	1996	2007	220	193,160	878	\$ 794.9
Reserve at Woodwind Lakes	Houston, TX	1999	2006	328	316,192	964	\$ 815.9
Chalet at Fall Creek	Humble, TX	2006	2007	268	260,228	971	\$ 949.9
Westborough Crossing	Katy, TX	1984	1994	274	197,280	720	\$ 622.9
Kenwood Club	Katy, TX	2000	1999	320	318,080	994	\$ 822.9
Lane at Towne Crossing	Mesquite, TX	1983	1994	384	277,632	723	\$ 650.9
Highwood	Plano, TX	1983	1998	196	156,800	800	\$ 754.9
Los Rios Park	Plano, TX	2000	2003	498	470,112	944	\$ 805.9
Boulder Ridge	Roanoke, TX	1999	2005	478	429,244	898	\$ 810.9
Cypresswood Court	Spring, TX	1984	1994	208	160,576	772	\$ 674.9
Villages at Kirkwood	Stafford, TX	1996	2004	274	244,682	893	\$ 872.9
Green Tree Place	Woodlands, TX	1984	1994	200	152,200	761	\$ 701.9
				8,067	6,940,984	860	\$ 756.9
Township	Hampton, VA	1987	1995	296	248,048	838	\$ 940.9
				296	248,048	838	\$ 940.9
Total 100% Owned				40,248	38,473,782	956	\$ 746.4

- (1) Encumbered by a \$691.8 million FNMA facility, with \$675.1 million available and \$627.8 million outstanding with a variable interest rate of 5.06% on which there exists in combination with the FNMA facility mentioned in note (2) fourteen interest rate swap agreements totaling \$540 million at an average rate of 5.52% at December 31, 2007.
- (2) Encumbered by a \$243.2 million FNMA facility, with \$243.2 available and \$168.6 million outstanding, \$90 million with a fixed rate of 7.49% and \$78.6 million of which had a variable interest rate of 5.14% on which there exists interest rate swaps as mentioned in note (1) at December 31, 2007.
- (3) Phase I of Paddock Park - Ocala is encumbered by \$6.8 million in bonds on which there exists a \$6.8 million interest rate cap of 6.00% which terminates on October 24, 2012.
- (4) Encumbered, along with one corporate property, by a term loan with a principal balance of \$39.6 million at December 31, 2007, with a maturity of April 1, 2009 and an interest rate of 6.08% on which there is a \$25 million interest rate swap agreement with a rate of 4.98%, maturing on March 1, 2009.
- (5) Encumbered by a credit line with AmSouth Bank, with an outstanding balance of \$2.4 million at December 31, 2007.
- (6) Encumbered by a \$100 million Freddie Mac facility, with \$96.4 million available and an outstanding balance of \$96.4 million and a variable interest rate of 5.03% on which there exists five interest rate swap agreements totaling \$83 million at an average rate of 5.41% at December 31, 2007.
- (7) Encumbered by a \$200 million Freddie Mac facility, with \$70.7 million available and an outstanding balance of \$70.7 million and a variable interest rate of 5.04% on which there exists five interest rate swap agreements totaling \$47 million at an average rate of 6.01% at December 31, 2007.
- (8) Encumbered by a mortgage securing a tax-exempt bond amortizing over 25 years with a principal balance of \$11.9 million at December 31, 2007, and an average interest rate of 5.24%.
- (9) Encumbered by \$8.4 million in bonds on which there exists a \$8.4 million interest rate swap agreement fixed at 4.73% and maturing on September 15, 2010.

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- (10) Encumbered by \$7.0 million in bonds on which there exists a \$7.0 million interest rate swap agreement fixed at 4.42% and maturing on October 15, 2012.
- (11) Encumbered by \$5.9 million in bonds on which there exists a \$5.9 million interest rate swap agreement fixed at 5.05% and maturing on June 15, 2008.
- (12) Encumbered by \$7.7 million in bonds on which there exists a \$7.7 million interest rate swap agreement fixed at 5.05% and maturing on June 15, 2008.
- (13) Encumbered by \$3.4 million in bonds on which there exists a \$3.4 million interest rate swap agreement fixed at 5.05% and maturing on June 15, 2008.
- (14) Encumbered by \$10.8 million in bonds on which there exists a \$10.8 million interest rate swap agreement fixed at 4.42% and maturing on October 15, 2012.
- (15) Encumbered by \$3.5 million in bonds \$0.5 million having a variable rate of 5.83% and \$3.0 million with a variable rate of 4.07% on which there exists a \$3.0 million interest rate swap agreement fixed at 3.23% and maturing on May 30, 2008.
- (16) Encumbered by \$5.5 million in bonds \$0.5 million having a variable rate of 5.83% and \$5.0 million with a variable rate of 4.07% on which there exists a \$5.0 million interest rate swap agreement fixed at 3.23% and maturing on May 30, 2008.
- (17) Encumbered by \$6.6 million in bonds on which there exists a \$6.6 million interest rate swap agreement fixed at 3.63% and maturing on March 15, 2009. Also encumbered by a \$17.9 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 5.27% which there exists a \$11.7 million and a \$6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 15, 2011 respectively.
- (18) Encumbered by \$4.0 million in bonds on which there exists a \$4.0 million interest rate cap of 6.00% which terminates on March 15, 2009. Also encumbered by a \$17.9 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 5.27% which there exists a \$11.7 million and a \$6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 15, 2011 respectively.
- (19) Encumbered by \$3.6 million in bonds on which there exists a \$3.6 million interest rate swap agreement fixed at 3.63% and maturing on March 15, 2009. Also encumbered by a \$17.9 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 5.27% which there exists a \$11.7 million and a \$6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 15, 2011 respectively.
- (20) Encumbered by \$13.2 million in bonds on which there exists a \$13.2 million interest rate cap of 6.00% and maturing on March 15, 2011. Also encumbered by a \$17.9 million FNMA facility maturing on March 1, 2014 with a variable interest rate of 5.27% which there exists a \$11.7 million and \$6.2 million interest rate cap of 6.00% and 6.50% respectively which terminates on March 1, 2009 and March 1, 2011 respectively.

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ITEM 3. LEGAL PROCEEDINGS.

Mid-America is not presently subject to any material litigation nor, to Mid-America's knowledge, is any material litigation threatened against us. Mid-America is presently subject to routine litigation arising in the ordinary course of business, some of which is expected to be covered by liability insurance and none of which is expected to have a material adverse effect on the business, financial condition, liquidity or results of operations of Mid-America.

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

None.

PART II

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

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Mid-America's common stock has been listed and traded on the New York Stock Exchange, or NYSE, under the symbol "MAA" since our initial public offering in February 1994. On February 8, 2008, the reported last sale price of Mid-America's common stock on the NYSE was \$46.44 per share, and there were approximately 1,707 holders of record of the common stock. Mid-America believes we have a significantly larger number of beneficial owners of our common stock. The following table sets forth the quarterly high and low sales prices of our common stock and the dividends declared by Mid-America with respect to the periods indicated.

	Sales Prices		Dividends	Dividends
	High	Low	Paid	Declared
2007:				
First Quarter	\$60.740	\$51.700	\$0.605	\$0.605
Second Quarter	\$59.620	\$50.110	\$0.605	\$0.605
Third Quarter	\$56.000	\$43.150	\$0.605	\$0.605
Fourth Quarter	\$54.590	\$41.750	\$0.605	\$0.615

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2006:				
First Quarter	\$58.750	\$48.130	\$0.595	\$1.190 ⁽¹⁾
Second Quarter	\$56.400	\$49.320	\$0.595	\$0.595
Third Quarter	\$62.240	\$53.910	\$0.595	\$0.595
Fourth Quarter	\$65.970	\$56.000	\$0.595	\$0.605

- (1) In the first quarter of 2006, the Board of Directors began declaring the common dividend for the following quarter at their regularly scheduled board meeting. This timing change resulted in two dividend payments being declared in the same quarter.

Mid-America's quarterly dividend rate is currently \$0.615 per common share. The Board of Directors reviews and declares the dividend rate quarterly. Actual dividends made by Mid-America will be affected by a number of factors, including the gross revenues received from the apartment communities, the operating expenses of Mid-America, the interest expense incurred on borrowings and unanticipated capital expenditures.

Mid-America expects to make future quarterly distributions to shareholders; however, future distributions by Mid-America will be at the discretion of the Board of Directors and will depend on the actual funds from operations of Mid-America, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and such other factors as the Board of Directors deems relevant.

Mid-America has established the Direct Stock Purchase and Distribution Reinvestment Plan, or DRSP, under which holders of common stock, preferred stock and limited partnership interests in Mid-America Apartments, L.P. can elect to automatically reinvest their distributions in additional shares of common stock. The plan also allows for the optional purchase of common stock of at least \$250, but not more than \$5,000 in any given month, free of brokerage commissions and charges. Mid-America, in our absolute discretion, may grant waivers to allow for optional cash payments in excess of \$5,000. To fulfill our obligations under the DRSP, Mid-America may either issue additional shares of common stock or repurchase common stock in the open market. Mid-America may elect to sell shares under the DRSP at up to a 5% discount.

In 2005, Mid-America issued a total of 803,251 shares through our DRSP and offered an average discount of 1.5% for optional cash purchases. In 2006, Mid-America issued a total of 1,356,015 shares through our DRSP and offered an average discount of 1.5% for optional cash purchases. In 2007, Mid-America issued a total of 136,483 shares through our DRSP and offered an average discount of 1.5% for optional cash purchases.

The following table provides information with respect to compensation plans under which our equity securities are authorized for issuance as of December 31, 2007.

	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)(1)	Weighted Average Exercise Price of Outstanding Options Warrants and Rights (b)(1)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) (c)(2)
Equity compensation plans approved by security holders	110,526	\$ 23.52	469,373
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	110,526	\$ 23.52	469,373

(1) Columns (a) and (b) above do not include 85,141 shares of restricted stock that are subject to vesting requirements which were issued through Mid-America's Fourth Amended and Restated 1994 Restricted Stock and Stock Option Plan, 74,106 shares of restricted stock that are subject to vesting requirements which were issued through Mid-America's 2004 Stock Plan, or 59,855 shares of common stock which have been purchased by employees through the Employee Stock Purchase Plan. See Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements, Note 2 for more information on these plans.

(2) Column (c) above includes 379,228 shares available to be issued under Mid-America's 2004 Stock Plan and 90,145 shares available to be issued under Mid-America's Employee Stock Purchase Plan. See Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements, Note 2 for more information on these plans.

Mid-America has not granted any stock options since 2002.

The following graph compares the cumulative total returns of the shareholders of Mid-America since December 30, 2000 with the S&P 500 Index and the Equity REIT Total Return Index prepared by the National Association of Real Estate Investment Trusts, or NAREIT. The graph assumes that the base share price for Mid-America's common stock and each index is \$100 and that all dividends are reinvested. The performance graph is not necessarily indicative of future investment performance.

	Dec ' 02	Dec ' 03	Dec ' 04	Dec ' 05	Dec ' 06	Dec ' 07
Mid-America	\$100.00	\$149.73	\$196.22	\$244.31	\$301.13	\$234.86
S&P 500	\$100.00	\$128.68	\$142.69	\$149.70	\$173.34	\$182.87

NAREIT Equity	\$100.00	\$137.13	\$180.44	\$202.38	\$273.34	\$230.45
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ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth selected financial data on a historical basis for Mid-America. This data should be read in conjunction with the consolidated financial statements and notes thereto and [Management's Discussion and Analysis of Financial Condition and Results of Operations] included elsewhere in this Annual Report on Form 10-K.

MID-AMERICA APARTMENT COMMUNITIES, INC.
SELECTED FINANCIAL DATA
(Dollars in thousands except per share data)

	Year Ended December		
	2007	2006	2005
Operating Data:			
Total operating revenues	\$ 352,957	\$ 323,662	\$ 293,786
Expenses:			
Property operating expenses	145,006	135,124	123,965
Depreciation	86,173	78,861	73,917
Property management and general and administrative expenses	28,726	23,001	20,862
Income from continuing operations before non-operating items	93,052	86,676	75,042
Interest and other non-property income	196	673	498
Interest expense	(64,452)	(63,119)	(58,142)
(Loss) gain on debt extinguishment	(123)	(551)	(407)
Amortization of deferred financing costs	(2,407)	(2,036)	(2,011)
Minority interest in operating partnership income	(3,510)	(1,590)	(1,571)
(Loss) gain from investments in unconsolidated entities	(58)	(114)	65
Incentive fees from unconsolidated entity	1,019	□	1,723
Net gains on insurance and other settlement proceeds	589	84	749
Gains on sale of non-depreciable assets	534	50	334
Gain on disposition within unconsolidated entities	5,388	□	3,034
Income from continuing operations	30,228	20,073	19,314
Discontinued operations:			
Income from discontinued operations before asset impairment, settlement proceeds and gain on sale	554	872	698
Asset impairment of discontinued operations	□	□	(243)
Net (loss) gain on insurance and other settlement proceeds of discontinued operations	□	□	(25)
Gains on sale of discontinued operations	9,164	□	□
Net income	39,946	20,945	19,744
Preferred dividend distributions	13,688	13,962	14,329
Premiums and original issuance costs associated with the redemption of preferred stock	589	□	□
Net income (loss) available for common shareholders	\$ 25,669	\$ 6,983	\$ 5,415
Per Share Data:			
Weighted average shares outstanding (in thousands):			
Basic	25,296	23,474	21,405
Effect of dilutive stock options	166	224	202
Diluted	25,462	23,698	21,607

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Net income (loss) available for common shareholders	\$ 25,669	\$ 6,983	\$ 5,415
Discontinued property operations	(9,718)	(872)	(430)
Income (loss) from continuing operations available for common shareholders	\$ 15,951	\$ 6,111	\$ 4,985
Earnings per share - basic:			
Income (loss) from continuing operations available for common shareholders	\$ 0.63	\$ 0.26	\$ 0.23
Discontinued property operations	0.38	0.04	0.02
Net income (loss) available for common shareholders	\$ 1.01	\$ 0.30	\$ 0.25
Earnings per share - diluted:			
Income (loss) from continuing operations available for common shareholders	\$ 0.63	\$ 0.26	\$ 0.23
Discontinued property operations	0.38	0.03	0.02
Net income (loss) available for common shareholders	\$ 1.01	\$ 0.29	\$ 0.25
Balance Sheet Data:			
Real estate owned, at cost	\$ 2,343,130	\$ 2,218,532	\$ 1,987,853
Real estate assets, net	\$ 1,720,553	\$ 1,669,539	\$ 1,510,289
Total assets	\$ 1,783,822	\$ 1,746,646	\$ 1,580,125
Total debt	\$ 1,264,620	\$ 1,196,349	\$ 1,140,046
Minority interest	\$ 28,868	\$ 32,600	\$ 29,798
Shareholders' equity and redeemable stock	\$ 403,530	\$ 449,066	\$ 362,526
Other Data (at end of period):			
Market capitalization (shares and units) ⁽¹⁾	\$ 1,358,100	\$ 1,745,674	\$ 1,358,725
Ratio of total debt to total capitalization ⁽²⁾	48.2%	40.7%	45.6%
Number of properties, including joint venture ownership interest ⁽³⁾	137	138	132
Number of apartment units, including joint venture ownership interest ⁽³⁾	40,248	40,293	38,227

(1) Market capitalization includes all series of preferred shares (value based on \$25 per share liquidation preference) and common shares, regardless of classification on balance sheet, as well as partnership units (value based on common stock equivalency).

(2) Total capitalization is market capitalization plus total debt.

(3) Property and apartment unit totals have not been adjusted to exclude properties held for sale.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RISKS ASSOCIATED WITH FORWARD-LOOKING STATEMENTS

This and other sections of this Annual Report on Form 10-K contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. These statements include, but are not limited to, statements about anticipated market conditions, expected growth rates of revenues and expenses, planned asset dispositions, disposition pricing, planned acquisitions, developments and renovations, property financings, expected interest rates, joint venture activity and planned capital expenditures. Although Mid-America believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this report on Form 10-K will prove to be accurate. In light of the significant uncertainties

inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by Mid-America or any other person that the objectives and plans of Mid-America will be achieved.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following discussion and analysis of financial condition and results of operations are based upon Mid-America's consolidated financial statements, and the notes thereto, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these consolidated financial statements requires Mid-America to make a number of estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. On an ongoing basis, Mid-America evaluates our estimates and assumptions based upon historical experience and various other factors and circumstances. Mid-America believes that our estimates and assumptions are reasonable in the circumstances; however, actual results may differ from these estimates and assumptions.

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Mid-America believes that the estimates and assumptions that are most important to the portrayal of our financial condition and results of operations, in that they require the most subjective judgments, form the basis of accounting policies deemed to be most critical. These critical accounting policies include revenue recognition, capitalization of expenditures and depreciation of assets, impairment of long-lived assets, including goodwill, and fair value of derivative financial instruments.

Revenue recognition

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

We record all gains and losses on sales of real estate in accordance with Statement No. 66, *Accounting for Sales of Real Estate*.

Capitalization of expenditures and depreciation of assets

Mid-America carries real estate assets at depreciated cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets, which range from 8 to 40 years for land improvements and buildings, 5 years for furniture, fixtures, and equipment, 3 to 5 years for computers and software, and 1 year for acquired leases, all of which are subjective determinations. Repairs and maintenance costs are expensed as incurred while significant improvements, renovations, and replacements are capitalized. The cost to complete any deferred repairs and maintenance at properties acquired by Mid-America in order to elevate the condition of the property to Mid-America's standards are capitalized as incurred.

Impairment of long-lived assets, including goodwill

Mid-America accounts for long-lived assets in accordance with the provisions of Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, or Statement 144, and evaluates its goodwill for impairment under Statement No. 142, *Goodwill and Other Intangible Assets*, or Statement 142. Mid-America evaluates goodwill for impairment on an annual basis in Mid-America's fiscal fourth quarter, or sooner if a goodwill impairment indicator is identified. Mid-America periodically evaluates long-lived assets, including investments in real estate and goodwill, for indicators that would suggest that the carrying amount of the assets may not be recoverable. The judgments regarding the existence of such indicators are based on factors such as operating performance, market conditions, and legal factors.

In accordance with Statement 144, long-lived assets, such as real estate assets, equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and

used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

Goodwill is tested annually for impairment, and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. This determination is made at the reporting unit level and consists of two steps. First, Mid-America determines the fair value of a reporting unit and compares it to its carrying amount. In the apartment industry, the primary method used for determining fair value is to divide annual operating cash flows by an appropriate capitalization rate. Mid-America determines the appropriate capitalization rate by reviewing the prevailing rates in a property's market or submarket. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with Statement No. 141, *Business Combinations*. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

Fair value of derivative financial instruments

Mid-America utilizes certain derivative financial instruments, primarily interest rate swaps and caps, during the normal course of business to manage, or hedge, the interest rate risk associated with Mid-America's variable rate debt or as hedges in anticipation of future debt transactions to manage well-defined interest rate risk associated with the transaction. The valuation of the derivative financial instruments under Statement No. 133 *Accounting for Derivative Instruments and Hedging Activities*, as amended, requires Mid-America to make estimates and judgments that affect the fair value of the instruments.

In order for a derivative contract to be designated as a hedging instrument, the relationship between the hedging instrument and the hedged item must be highly effective. While Mid-America's calculation of hedge effectiveness contains some subjective determinations, the historical correlation of the cash flows of the hedging instruments and the underlying hedged item are measured by Mid-America before entering into the hedging relationship and have been found to be highly correlated.

Mid-America measures ineffectiveness using the change in the variable cash flows method at the inception of the hedge and for each reporting period thereafter, through the term of the hedging instruments. Any amounts determined to be ineffective are recorded in earnings. The change in fair value of the interest rate swaps and caps designated as cash flow hedges are recorded to accumulated other comprehensive income in the statement of shareholders' equity.

OVERVIEW OF THE YEAR ENDED DECEMBER 31, 2007

Mid-America's results for 2007 were positively influenced by both improved operating performance from communities held throughout both the current and prior period, or same store, and the positive impact from acquisitions in recent years. Implementation of new operating platform systems is helping us to optimize the balance between increased occupancy and rental rates.

Mid-America has grown externally during the past three years by following its acquisition strategy to invest in large and mid-sized growing markets in the Sunbelt region of the United States. Mid-America acquired three properties in 2005 and six properties in 2006, for which we benefited from full years of revenues in 2007. Mid-America also acquired an additional four communities during 2007. Offsetting some of this increased revenue stream is one property disposition in 2005 and dispositions of four properties during 2007.

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The following is a discussion of the consolidated financial condition and results of operations of Mid-America for the years ended December 31, 2007, 2006, and 2005. This discussion should be read in conjunction with all of the consolidated financial statements included in this Annual Report on Form 10-K.

As of December 31, 2007, the total number of apartment units Mid-America owned or had an ownership interest in was 40,248 in 137 communities, compared to 40,293 apartment units in 138 communities at December 31, 2006, and 38,227 apartment units in 132 communities at December 31, 2005. For communities owned 100% by Mid-America, the average monthly rental per apartment unit, excluding units in lease-up, increased to \$743 at December 31, 2007 from \$726 at December 31, 2006, and \$695 at December 31, 2005. For these same units, overall occupancy at December 31, 2007, 2006, and 2005 was 94.7%, 94.2%, and 94.6%, respectively.

RESULTS OF OPERATIONS

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2007, TO THE YEAR ENDED DECEMBER 31, 2006

Property revenues for the year ended December 31, 2007, increased by approximately \$29.5 million from the year ended December 31, 2006, due to (i) an \$11.5 million increase in property revenues from the six properties acquired in 2006, or the 2006 acquisitions, (ii) a \$4.8 million increase in property revenues from the four properties acquired in 2007, or the 2007 acquisitions, (iii) a \$0.8 million increase in property revenues from our development communities, and (iv) a \$12.4 million increase in property revenues from the properties held throughout both periods. The increase in property revenues from properties held throughout both periods was generated primarily by Mid-America's same store portfolio and was driven by an average 2.5% increase in average rent per unit in 2007 over 2006.

Property operating expenses include costs for property personnel, building repairs and maintenance, real estate taxes and insurance, utilities, landscaping and other property related costs. Property operating expenses for the year ended December 31, 2007, increased by approximately \$9.9 million from the year ended December 31, 2006, due primarily to increases of property operating expenses of (i) \$5.0 million from the 2006 acquisitions, (ii) \$2.1 million from the 2007 acquisitions, (iii) \$0.3 million from our development communities, and (iv) \$2.5 million from the properties held throughout both periods. The increase in property operating expenses from the properties held throughout both periods consisted primarily of Mid-America's same store portfolio and represented an average 2.9% increase over prior year expenses.

Depreciation expense increased by approximately \$7.3 million primarily due to the increases of depreciation expense of (i) \$3.3 million from the 2006 acquisitions, (ii) \$1.2 million from the 2007 acquisitions, (iii) \$0.3 million from our development communities, (iv) \$0.7 million from the amortization of the fair market value of leases of acquired communities, and (v) \$1.8 million from fixed asset additions at communities held throughout both periods.

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Property management expenses increased by approximately \$4.8 million from the year ended December 31, 2006, to the year ended December 31, 2007, partially due to increased incentive compensation as a result of improved property performance, increased franchise and excise taxes due to state tax law changes, and implementation expenses associated with improved operating systems. General and administrative expenses increased by approximately \$0.9 million over this same period also partially related to increased incentive compensation due to improved performance.

Interest expense increased approximately \$1.3 million in 2007 from 2006 due primarily to the approximate \$42.4 million increase in the average debt outstanding from 2006 due to acquisitions and our development and redevelopment programs. The impact from the increase in the average debt outstanding was partially offset by a decrease in the average annual borrowing costs from 5.5% for 2006 to 5.4% in 2007.

For the year ended December 31, 2007, Mid-America recorded total gains of approximately \$5.4 million from the sale of a community owned by a joint venture of Mid-America. The sale of this community resulted in an additional incentive fee being paid to Mid-America of approximately \$1.0 million in 2007. In 2007, Mid-America also benefited from a \$9.2 million gain resulting from the sale of four communities owned directly by Mid-America. Mid-America had no dispositions in 2006.

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For the year ended December 31, 2007, Mid-America recorded net gains on insurance and other settlement proceeds and gains on sale of land totaling \$1.1 million. For the year ended December 31, 2006, Mid-America recorded gains of \$0.1 million for these same items.

Primarily as a result of the foregoing, net income increased by approximately \$19.0 million in 2007 over 2006.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2006, TO THE YEAR ENDED DECEMBER 31, 2005

Property revenues for the year ended December 31, 2006, increased by approximately \$30.0 million from the year ended December 31, 2005, due to (i) a \$9.5 million increase in property revenues from the 2006 acquisitions, (ii) a \$5.3 million increase in property revenues from the three properties acquired in 2005, or the 2005 acquisitions, and (iii) a \$15.2 million increase in property revenues from the properties held throughout both periods. The increase in property revenues from properties held throughout both periods was generated primarily by Mid-America's same store portfolio and was driven by an average 3.1% increase in average rent per unit in 2006 over 2005.

Property operating expenses include costs for property personnel, building repairs and maintenance, real estate taxes and insurance, utilities, landscaping and other property related costs. Property operating expenses for the year ended December 31, 2006, increased by approximately \$11.2 million from the year ended December 31, 2005, due primarily to increases of property operating expenses of (i) \$4.6 million from the 2006 acquisitions, (ii) \$2.1 million from the 2005 acquisitions, and (iii) \$4.5 million from the properties held throughout both periods. The increase in property operating expenses from the properties held throughout both periods consisted primarily of Mid-America's same store portfolio and was driven by an increase in property insurance reflecting the increase in premiums effective July 1, 2006. The same store property operating expense increase also reflects increased utility rates as Mid-America experienced an increase in electricity, natural gas and water and sewer prices.

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Depreciation expense increased by approximately \$4.9 million primarily due to the increases of depreciation expense of (i) \$2.7 million from the 2006 acquisitions, (ii) \$1.2 million from the 2005 acquisitions, and (iii) \$2.0 million from fixed asset additions at the communities held throughout both periods. These increases were partially offset by a decrease in depreciation expense of \$1.0 million from the expiration of the amortization of fair market value of leases of acquired communities.

Property management expenses increased by approximately \$2.0 million from the year ended December 31, 2005, to the year ended December 31, 2006, partially due to increased incentive compensation as a result of improved property performance and increased franchise and excise taxes due to state tax law changes. General and administrative expenses increased by approximately \$0.2 million over this same period also partially related to increased incentive compensation due to improved performance.

Interest expense increased approximately \$5.0 million in 2006 from 2005 due primarily to the approximate \$49.7 million increase in the average debt outstanding from 2005 due to acquisitions and our development and redevelopment programs. Interest expense was also impacted by an increase in the average annual borrowing costs from 5.2% in 2005 to 5.5% in 2006.

For the year ended December 31, 2005, Mid-America recorded total gains of approximately \$3.0 million from the sale of two communities owned by a joint venture of Mid-America. The sales of these communities resulted in an additional incentive fee being paid to Mid-America of approximately \$1.7 million in 2005. Mid-America had no dispositions in 2006.

For the year ended December 31, 2006, Mid-America recorded net gains on insurance and other settlement proceeds and gains on sale of land totaling \$0.1 million. For the year ended December 31, 2005, Mid-America recorded gains of \$1.1 million for these same items.

Primarily as a result of the foregoing, net income increased by approximately \$1.2 million in 2006 over 2005.

FUNDS FROM OPERATIONS

Funds from operations, or FFO, represents net income (computed in accordance with U.S. generally accepted accounting principles, or GAAP) excluding extraordinary items, minority interest in operating partnership income, gains on disposition of real estate assets, plus depreciation of real estate, and adjustments for joint ventures to reflect FFO on the same basis. This definition of FFO is in accordance with the NAREIT definition. Disposition of real estate assets includes sales of discontinued operations as well as proceeds received from insurance and other settlements from property damage.

In response to the Securities and Exchange Commission's Staff Policy Statement relating to EITF Topic D-42 concerning the calculation of earnings per share for the redemption of preferred stock, Mid-America has included the amount charged to retire preferred stock in excess of carrying values in our FFO calculation.

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

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

The following table is a reconciliation of FFO to net income for the years ended December 31, 2007, 2006, and 2005 (dollars and shares in thousands):

	Years ended December 31,		
	2007	2006	2005
Net income	\$ 39,946	\$ 20,945	\$ 19,744
Depreciation of real estate assets	84,916	77,521	72,571
Net gain on insurance and other settlement proceeds	(589)	(84)	(749)
Gain on disposition within unconsolidated entities	(5,388)		(3,034)
Net loss on insurance and other settlement proceeds of discontinued operations			25
Depreciation of real estate assets of discontinued operations	133	687	1,133
Gain on sale of discontinued operations	(9,164)		
Depreciation of real estate assets of unconsolidated entities	15	500	482
Preferred dividend distribution	(13,688)	(13,962)	(14,329)
Minority interest in operating partnership income	3,510	1,590	1,571
Premiums and original issuance costs associated with the redemption of preferred stock	(589)		
Funds from operations	\$ 99,102	\$ 87,197	\$ 77,414
Weighted average shares and units:			
Basic	27,777	25,979	24,025
Diluted	27,943	26,204	24,227

FFO increases for both 2007 over 2006, and 2006 over 2005 were principally the result of improved community operations from Mid-America's same store portfolio and the addition of communities from the 2005 acquisitions, 2006 acquisitions and 2007 acquisitions as previously reviewed in the net income discussion above.

TRENDS

In 2007, rental demand for apartments continued to improve throughout most of Mid-America's markets. Both our High Growth and our Growth and Income markets reported same-store revenue growth for the year averaging over 5% and NOI growth averaging 6.9%. Exceptional performers were markets in Texas and Tennessee. Following several years of rapid growth, markets in Florida did not perform as well.

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The following chart shows performance by some of the larger markets in each of Mid-America's same-store portfolio groups, averaged for the year:

	Revenue ⁽¹⁾	NOI ⁽¹⁾
Total High Growth	4.9%	7.2%
Dallas	7.0%	15.2%
Atlanta	4.2%	3.6%
Houston	7.5%	14.4%
Nashville	6.1%	9.8%
Greenville	4.7%	7.6%
Tampa	0.8%	0.3%
Total Growth and Income	5.0%	5.7%
Memphis	8.1%	11.9%
Jacksonville	0.7%	-0.3%
Austin	7.7%	15.3%
Jackson, MS	5.2%	5.7%
Chattanooga	5.5%	7.9%
Augusta	6.2%	7.3%
Total Stable	3.5%	3.7%
Columbus, GA	-0.9%	-4.3%
Lexington, KY	7.5%	9.8%
Total Same Store	4.6%	5.8%

(1) Revenues and NOI by market and market group are presented before the impact of straight-line adjustments. The total same store results include the revenue adjustments.

Job formation, which is the primary driver of demand by apartment residents, continued to be strong in most of our markets. On the supply side, new apartment construction continued to be limited, as in most markets, rents have yet to rise sufficiently to offset the rapid run-up of costs of new construction over the last five years. Competition from condominiums reverting back to being rental units, or new condominiums being converted to rental, was not a major factor in most of our markets because most of our markets and submarkets have not been primary areas for condominium development. We have found the same to be true for rental competition from single family homes: we have avoided committing a lot of capital to markets where most of the excessive inflation in house prices has occurred. We are seeing rental competition from condominiums and single family houses in only a few submarkets.

The primary reason that our residents leave us is to buy a house, but we have seen the number drop over the past six months from approximately 28% of move-outs to approximately 26%. Analysts point out that homeownership increased from 65% to almost 69% of households over the past ten years, driven primarily by the availability of new mortgage products, many requiring no down-payment and minimal credit reporting. With a reversion of mortgage underwriting back to more traditional standards, it is possible that a long-term correction will occur, and that home ownership may return to more sustainable levels. This could be quite significant for the apartment business, and we believe, if this occurs, it could benefit us for several years.

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While it seems possible that we will face slower economic growth as a result of reduced liquidity in the economy, we think that the supply of new apartments is not excessive, and that positive absorption of apartments will occur for most of our markets for the next two or three years. Should the economy fall into recession, the limited new supply of apartments and the more controlled competition from single family housing should ameliorate the impact.

LIQUIDITY AND CAPITAL RESOURCES

Net cash flow provided by operating activities increased by approximately \$17.0 million to \$117.9 million for 2007, compared to \$100.9 million for 2006, mainly related to the growth of Mid-America through acquisitions and improved operating results in 2007. Net cash flow provided by operating activities increased by approximately \$2.1 million to \$100.9 million for 2006 compared to \$98.8 million for 2005 mainly related to the growth of Mid-America through acquisitions and improved operating results in 2006.

Net cash used in investing activities decreased by approximately \$131.5 million from \$239.6 million in 2006 to \$108.1 million in 2007. Net cash used in investing activities increased by approximately \$133.2 million from \$106.4 million in 2005 to \$239.6 million in 2006. The change in net cash used in investing activities resulted mainly from the varying levels of acquisition activity. A total of approximately \$88.6 million was invested in 2007 to acquire properties, this compares to approximately \$195.0 million in 2006, and \$105.6 million in 2005. Mid-America began limited development activities in 2006, which used net cash of approximately \$10.9 million in 2006 and \$14.6 million in 2007. Mid-America also expanded our renovation activities using net cash of approximately \$0.4 million in 2005, \$6.1 million in 2006 and \$11.3 million in 2007. Finally, Mid-America's net cash used in investing activities was influenced by different levels of dispositions across the three years. In 2007, Mid-America received \$29.3 million from real estate dispositions, compared to \$2.1 million in 2006 and \$9.7 million in 2005.

Net cash provided by financing activities decreased approximately \$128.3 million to \$1.9 million in 2007 from \$130.1 million in 2006. Net cash provided by financing activities increased approximately \$117.6 million to \$130.1 million in 2006 from \$12.5 million in 2005. Net cash provided by financing activities was mainly impacted by proceeds from issuances of common shares and units. Proceeds from issuances of common shares and units increased in 2006 to approximately \$151.9 million primarily due to Mid-America's raising of funds through stock issuances from our direct stock purchase plan, a controlled equity plan and an overnight offering. During 2005 and 2007, Mid-America was not as active in raising funds through these equity plans. Net cash provided by financing activities in 2007 was also impacted by the redemption of our 9¼% Series F Cumulative Redeemable Preferred Stock, or Series F, for \$11.9 million.

The weighted average interest rate at December 31, 2007, for the \$1.3 billion of debt outstanding was 5.4% compared to 5.6% on \$1.2 billion of debt outstanding at December 31, 2006. Mid-America utilizes both conventional and tax exempt debt to help finance our activities. Borrowings are made through individual property mortgages and secured credit facilities. Mid-America utilizes fixed rate borrowings, interest rate swaps and interest rate caps to manage our current and future interest rate risk. More details on Mid-America's borrowings are disclosed in the schedule found later in this section.

At December 31, 2007, Mid-America had secured credit facilities relationships with Prudential Mortgage Capital which are credit enhanced by the Federal National Mortgage Association, or FNMA, Federal Home Loan Mortgage Corporation, or Freddie MAC, and a group of banks led by Regions Financial Corporation. Together, these credit facilities provided a total borrowing capacity of \$1.4 billion at December 31, 2007, with an availability to borrow of \$1.2 billion. At December 31, 2007, Mid-America had total borrowings outstanding under these credit facilities of \$1.1 billion.

Approximately 72% of Mid-America's outstanding obligations at December 31, 2007, were borrowed through facilities with/or credit enhanced by FNMA, which we call the FNMA Facilities. The FNMA Facilities have a combined line limit of \$1.0 billion, most of which was available to borrow at December 31, 2007. Various tranches of the facilities mature from 2008 through 2014. The FNMA Facilities provide for both fixed and variable rate borrowings. The interest rate on the majority of the variable portion renews every 90 days and is based on the FNMA Discount Mortgage Backed Security, or DMBS, rate on the date of renewal, which has typically approximated three-month LIBOR less an average spread of 0.05% - 0.09% over the life of the FNMA

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facilities, plus a credit enhancement fee of 0.62% to 0.795%. Recently, however, the spread between three-month LIBOR and DMBS has increased up to 0.57%. While we feel the current liquidity market is an anomaly and believe that this spread will return to more historic levels, Mid-America cannot forecast when or if the uncertainty and volatility in the market may change.

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

On May 26, 2005, Mid-America gave the required one year notice to redeem all of the issued and outstanding shares of its 8 5/8% Series G Cumulative Redeemable Preferred Stock, or Series G, on May 26, 2006, for the total redemption price of \$10 million. As a result, in accordance with Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, Mid-America classified the Series G as a liability within notes payable as of May 26, 2005, on the accompanying consolidated financial statements. On May 26, 2006, Mid-America redeemed all of the issued and outstanding shares of Series G.

On October 16, 2007, Mid-America redeemed all of the issued and outstanding shares of Series F for the total redemption price of \$11.9 million.

As of December 31, 2007, Mid-America had interest rate swaps in effect totaling a notional amount of approximately \$756 million. To date, these swaps have proven to be highly effective hedges. Mid-America had also entered into two forward swaps as of December 31, 2007, with a total combined notional amount of \$50 million. Mid-America had interest rate cap agreements totaling a notional amount of approximately \$47 million in effect as of December 31, 2007.

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Summary details of the debt outstanding at December 31, 2007 follows in the table below (dollars in thousands):

			Outstanding			
	Line	Line	Balance/Average	Average	Average	
	Limit	Availability	Notional Amount	Interest Rate	Rate Maturity	Contract Maturity
COMBINED DEBT						
Fixed Rate or Swapped						