

2011 | CORPORATE SOCIAL RESPONSIBILITY REPORT

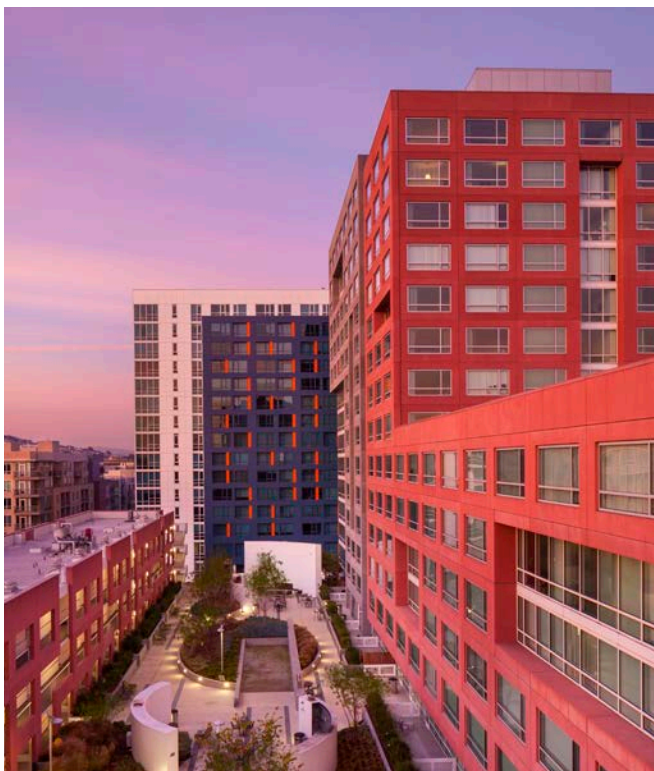


ABOUT THE COVER

In 2009, AvalonBay completed its first LEED Certified community, Avalon at Mission Bay North III in San Francisco, CA. The community contains 260 apartment homes and is located near Caltrain and San Francisco Light Rail lines which offer connections to the BART mass transit system. Avalon at Mission Bay North III demonstrates the benefits of our sustainable development, with 25% more efficient water usage and 50% more efficient electricity usage than Avalon at Mission Bay North I, its sister community completed just seven years prior.

SUSTAINABLE FEATURES

- Efficient Energy Star Appliances
- Comprehensive Recycling Program for Cans, Cardboard, Compost, Bottles, and Paper
- Car Share Vehicles on Site (Zip Car)
- Bike Storage on Site
- Located Near Multiple Public Transit Routes
- Preferred Parking for Low-Emissions Vehicles
- High Efficiency Gearless Elevators
- Low-flow Plumbing Fixtures
- Low-VOC Paint and Carpet



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FROM OUR CEO AND PRESIDENT



I am pleased to present AvalonBay's first Corporate Social Responsibility Report, covering our activities from 2010 and 2011. This Report provides information on our sustainability efforts, including the impact of our business activities on the environment, as well as an overview of our social responsibility and corporate governance practices. It also provides us with a tool to share information on all aspects of our corporate sustainability efforts with the full range of our stakeholders: investors, associates, residents, public officials, vendors and the communities in which we operate.

Our sector of the real estate industry, multifamily rental apartments, is inherently resource efficient. Multifamily housing typically has a lighter carbon footprint than single-family housing because an apartment home, with its common "party" walls and more efficient building envelope plus shared common spaces, require less energy to heat and

cool. In addition, many of our communities are located in close proximity to mass transit, allowing our residents to own fewer automobiles and drive fewer miles than their counterparts in lower density developments.

AvalonBay has three core values which drive many of our business practices: A Commitment to Integrity, A Spirit of Caring and A Focus on Continuous Improvement. Consistent with the latter principle, we are a founding member of the Greenprint Center for Building Performance, through which we seek to continuously improve energy efficiency in our communities. As part of the Center, we share energy usage data from our extensive property portfolio to help establish industry-wide benchmarks. These benchmarks serve as important and actionable data points for us and others. Over time, they will help us to further enhance energy efficiency by identifying opportunities for improvement within our many communities across the country.

On a broader level, we strive to ensure that our communities have a positive social and environmental impact in their local neighborhoods where our residents make their homes every day. With that goal in mind, we regularly engage in dialogue with local officials, partnering with them so that our planned apartment communities are welcome additions to local life. Through our development activity we provide significant public benefits, which may include designating a portion of our apartment homes as affordable housing, providing neighborhood-serving retail, remediating contaminated soil

from prior uses, repurposing or removing obsolete structures or surface parking lots, installing and upgrading public infrastructure (such as water and sewer lines, streets and sidewalks), and creating parks, green spaces, attractive landscaping and recreational areas.

Over the last several years we have developed systems and processes to better track and measure our energy consumption, environmental performance, and progress on certain social and governance metrics. Going forward this will enable us to provide a Corporate Social Responsibility Report every year, with our 2012 report scheduled to be released later this year. More importantly, by having access to better data we can more effectively concentrate our sustainability efforts where they will be most impactful.

Of course, none of this good work would be possible without the dedicated efforts of our 2,100 hard-working associates, or without our 90,000 residents for whom we have the privilege of providing homes every day. I want to thank them for their continued support. We are excited to share our progress with you, and we look forward, in the spirit of continuous improvement, to building on the momentum generated by our first report.

A handwritten signature in black ink, appearing to read "Tim J. Naughton".

Timothy J. Naughton
CEO and President

This is AvalonBay's first comprehensive sustainability report, produced in accordance with the guidelines set forth by the Global Reporting Initiative (GRI). In our Report, we outline AvalonBay's economic, environmental and social impacts upon our stakeholders, using the performance indicators recommended by GRI.

We chose those GRI Performance Indicators (PIs) which are most relevant to AvalonBay's business and its economic, environmental and social impacts. We have also included

GRI recommended PIs that are relevant for the construction and real estate industry in general.

The chart below and on page 3 outlines the GRI Performance Indicators and Profile Disclosures which have been selected for this Report and the corresponding page numbers of this report, our 2011 annual report on Form 10-K ("10-K") or our Form DEF 14A for the year ended December 31, 2011 ("Proxy"), where the PI is discussed in some detail.

GRI Performance Indicator	Description	Page
ECONOMIC		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payment to capital providers and governments.	4, 5, 21
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind or pro bono engagement.	14-15
ENVIRONMENTAL		
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services and reductions in energy requirements as a result of these initiatives.	7-9, 11, 13-14, 17
EN16	Total direct and indirect greenhouse gas emissions by weight.	14
EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation.	1, 7, 8, 11, 13, 17
CRE5	Land remediated and in need of remediation for the existing or intended land use.	7, 9
CRE8	Type and number of sustainability certification rating, rating and labeling schemes for new construction, management, occupation and redevelopment.	5, 9, 17
SOCIAL PERFORMANCE		
LA1	Total workforce by employment type, employment contract and region, broken down by gender and full-time/part-time status.	20
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	19-20
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities by region and gender.	18
LA10	Average hours of training per year per employee by gender and by employee category.	19-20
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	22
SO2	Percentage and total number of business units analyzed for risks related to corruption.	20
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	20

GRI Profile Disclosure	Description	Page
STRATEGY AND ANALYSIS		
1.1	CEO Statement about the relevance of sustainability to the organization and its strategy.	1
ORGANIZATIONAL PROFILE		
2.1	Name of the organization.	1
2.2	Primary products and services.	1, 4
2.3	Operational structure of the organization.	4-5, 10-K
2.4	Location of organization's headquarters.	5, 17
2.5	Countries where the organization operates.	4
2.6	Nature of ownership and legal form.	10-K
2.7	Markets served.	4, 10-K
2.8	Scale of the reporting organization.	4, 10-K
2.9	Significant changes during the reporting period regarding size, structure or ownership.	10-K
2.10	Awards received in the reporting period.	4
REPORT PARAMETERS		
3.1	Reporting period.	1
3.2	Date of most recent previous report.	N/A
3.3	Reporting cycle.	1
3.4	Contact point for questions regarding the report.	24
3.5	Process for defining report content.	7, 13
3.6	Boundary of the report.	1
3.7	Limitations on the scope of the report.	1
3.8	Basis for reporting on joint venture, subsidiaries, leased facilities, outsourced operations or other entities.	10-K
3.9	Data measurement techniques and the bases of calculations.	14
3.10	Explanation of the effect of any re-statements of information provided in earlier reports.	N/A
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	N/A
3.12	Table identifying the location of the Standard Disclosures in the report.	3
GOVERNANCE, COMMITMENT AND ENGAGEMENT		
4.1	Governance structure of the organization.	10-K or Proxy
4.2	Indication of whether the Chair of the highest governance body is also an executive officer.	Proxy
4.3	Board structure and independence of members.	23; 10-K or Proxy
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Proxy
4.14	List of stakeholder groups engaged by the organization.	23
4.15	Basis for identification and selection of stakeholders with whom to engage.	23

Our Company

AvalonBay is a Real Estate Investment Trust (REIT) engaged in the business of developing, redeveloping, owning and managing apartment communities in high barrier-to-entry markets in the United States. As of December 31, 2011, the date through which this report covers, we owned an interest in over 58,000 apartment homes located across 200 communities in the Northeast, Mid-Atlantic, Mid-West, Pacific Northwest and Northern and Southern California regions, employing nearly 2,100 associates.



RECOGNIZED FOR ENVIRONMENTAL ACHIEVEMENTS

- Ranked #1 among 19 peers by The Global Real Estate Sustainability Benchmark (GRESB) for sustainability efforts in 2011.
- Awarded the National Association of Real Estate Investment Trusts (NAREIT) Leader in the Light Award in 2012 for superior and sustained energy use practices in 2011.

day behavior in all our interactions. We know that our Company’s reputation – built on years of business experience governed by integrity, honesty and fair dealing – is vital to the value of the AvalonBay brand.

OUR PURPOSE

To Enhance the Lives of Our Residents

OUR CORE VALUES

Commitment to Integrity
 Spirit of Caring
 Focus on Continuous Improvement

management create incentives to focus on quality construction and to operate in a manner that creates an enduring positive impact on all our stakeholders: residents, investors, associates, public officials, vendors and communities in which we operate.

We believe that being a part of the towns and cities which host our communities is a major contributing factor to our success. The Company maintains regional offices in each of its markets, actively participating in local life and ensuring our interests are aligned with our current and future residents and those of our local business partners.

In 2011 AvalonBay distributed more than 95% of its operating revenues to stakeholders. Within local communities, this distribution took the form of jobs, materials, utilities, and other direct costs of operating our communities. To investors and capital partners, it took the form of dividends and interest payments.

Our Commitment to Values

AvalonBay is an organization driven by its three core values: A Commitment to Integrity, A Spirit of Caring, and A Focus on Continuous Improvement. Our values guide our business decisions; they are an integral part of our every

Our Commitment to Stakeholders

We are one of the most active developers in the US multifamily industry, building communities that we intend to own and operate. Long-term ownership and

OUR REGIONAL OFFICES

- Arlington, VA
(Corporate Headquarters)
- Boston, MA
- Long Island, NY
- Los Angeles, CA
- Newport Beach, CA
- New York, NY
- San Francisco, CA
- San Jose, CA
- Seattle, WA
- Shelton, CT
- Virginia Beach, VA
(Customer Care Center)
- Woodbridge, NJ

2011 OPERATING REVENUE DISTRIBUTION (thousands)

Operating Revenues	\$968,711
Operating Costs	323,064
Property & Other Taxes	96,344
Dividends & Interest	528,862
Total Retained Earnings	\$20,452



AVALONBAY'S LEED-CI SILVER CERTIFIED CORPORATE OFFICE

SUPPORTING LOCAL STAKEHOLDERS

"Housing options and choices for many people are changing [on Long Island] today. The single family home...isn't for everyone anymore. AvalonBay creates a great housing option for people looking for something different...It brings customers to our businesses downtown, increases the tax base, and adds to revenue on the municipal side – a welcome addition."

Mayor Ralph Suozzi, Glen Cove, New York

"They [AvalonBay] have the experience and creativity to do a truly outstanding job, and we look forward to working with them."

Mayor Joe Curatone, Somerville, MA

AVALON NORWALK

“An excellent example” of public-private partnership, according to **Mayor Richard Moccia, Norwalk, CT**



SUSTAINABLE PRACTICES

Our Commitment to Sustainability

At AvalonBay, we have made it a corporate priority to evaluate and implement practices that promote the efficient use of natural resources in the design, construction and operation of our apartment communities and corporate offices. We strive to reduce our impact on the environment and create long-term value for all of our stakeholders, while maximizing our financial performance.

We have established a standing Sustainability Committee, comprised of an interdepartmental team of associates focused on the development and implementation of sustainable policies and practices in all disciplines of our business. The Sustainability Committee is led by the Company's Executive Vice President of Corporate Strategy and focuses on sustainability in new development, redevelopment, procurement, and the workplace, as well as on generating sustainability awareness throughout the Company.

We believe that promoting sustainable practices is vital to our success as an organization. By ensuring that ecologically responsible practices are integrated into our long-term strategy, we can protect the environment, increase our profitability, and enhance the lives of our residents.

Sustainability in New Development

As of December 31, 2011, AvalonBay had 19 new multifamily communities under construction in the Northeast, Mid-Atlantic, Pacific Northwest and Northern and Southern California regions of the U.S. Once completed,

these communities are expected to contain over 5,200 apartment homes and a variety of retail spaces.

Fully occupied, the 2,708 apartment units completed in 2010 and 2011 produce the following energy saving benefits as a result of the green standards listed on the next page:

- Energy Star Refrigerators and Dishwashers that save over 275,000 kWh of electricity per year.
- Energy Star Thermostats that allow our residents to reduce their annual heating/cooling costs by up to 30%.
- Low-flow showerheads, bath and kitchen faucets that save nearly 14 million gallons of water per year.

In addition, because AvalonBay's development activity is generally focused in densely populated areas where there are often pre-existing environmental issues, the Company frequently undertakes projects that require substantial remediation. During 2010 and 2011, we engaged in environmental remediation efforts at approximately 75% of our communities under construction. We invested over \$13 million in conjunction with the development of these communities in site remediation, asbestos and/or lead abatement, mold remediation, removal of underground storage tanks and removal of contaminated soil containing petroleum, arsenic, mercury, and lead.

For example, three of our 2010-2011 projects were former brownfield sites, representing under-utilized land with significant negative environmental concerns.

AVALONBAY'S DEVELOPMENT SUCCESS FORMULA



In 2011 AvalonBay invested over \$640M in new development/redevelopment activities

A COMMITMENT TO GREEN DEVELOPMENT

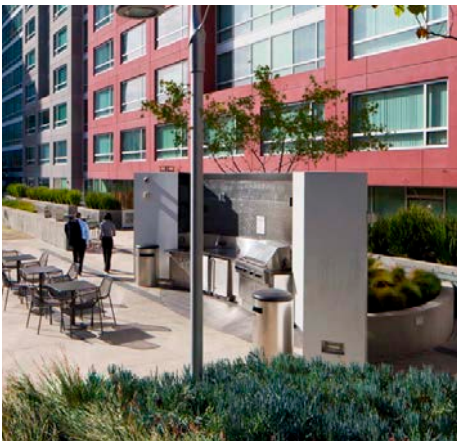
- Implementing AvalonBay green standards (lighting, mechanical systems, product specifications) for all new developments
- Building LEED and Energy Star Certified communities
- Researching and implementing new sustainable products and strategies
- Focusing on transit-oriented and walkable locations



AVA Queen Anne (WA) Rooftop Garden



Avalon Green II (NY) Outdoor Terrace



Avalon at Mission Bay North III (CA) Courtyard



Avalon Towers Bellevue (WA) Rooftop Dog Walk

New Development Green Standards
 The Company has implemented the following Green Standards in every new development (where applicable) since 2010:

- AIR QUALITY**
- Low-VOC Adhesives and Sealants
 - Low-VOC Carpet
 - Low-VOC Paint
 - Secure, Convenient Bicycle Storage
 - No Smoking / Smoke Free Communities

- EDUCATION**
- Education & Training programs and materials
 - Resident information on local mass transit and carshare resources

- ENERGY EFFICIENCY**
- Cool or White Roof for all Flat Roof Buildings
 - Programmable Thermostats in Apartments
 - Timer/Motion Sensors for Lights in Model Apartment Homes
 - Energy-Star Ceiling Fans (where applicable)
 - Common Area HVAC Ducted to Use 50% Recirculated Air
 - Energy Star Appliances- Dishwasher, Refrigerator
 - Full Building Energy Model with load calculations for both Residents and Landlords
 - Minimum SEER Rating of 13 for HVAC Systems
 - All applicable projects are evaluated for cogeneration systems
 - Free-standing clubhouses designed to benefit from passive solar design
 - Energy Star rated office and computer equipment throughout community
 - Daylight sensors or timers on all non-essential exterior site lighting
 - Fluorescent or LED lighting in place of incandescent in common areas
 - Fluorescent lighting in parking garages (no HID fixtures, e.g. metal halides)
 - Separate electric meters or submeters for each individual apartment
 - Separate gas meters or submeters for each individual apartment

- PLANNING**
- All Projects evaluated for LEED, Energy Star, NAHB, or other certification program

- RESOURCE EFFICIENCY**
- Plan High Density Projects
 - Efficient Framing Measures
 - Recycling Center for Residents
 - Design Efficient Apartments

- WATER EFFICIENCY**
- Low-Flow Shower Heads in Apartments and Common Areas
 - Low-Flow Bath and Kitchen Faucets in Apartments and Common Areas
 - Dual Flush Toilets and Low-Flow Urinals in Common Areas
 - Native, Non-Invasive Plant Species
 - Low-Flow Drip Irrigation System or Low-Flow Sprinklers in beds requiring irrigation
 - Water Submeters for all Units or Bill Residents Individually for Water Consumption

SUSTAINABLE PRACTICES

COMMUNITY CERTIFICATIONS

As of 12/31/2011

Certification	Communities	Apartment Homes	Square Footage
LEED	3	1,075	1,185,732
Energy Star	3	749	848,782
Total	6	1,824	2,034,514

LEED CERTIFIED COMMUNITIES

- Avalon at Mission Bay North III
- Avalon Towers Bellevue
- Avalon Walnut Creek

ENERGY STAR CERTIFIED COMMUNITIES

- Avalon Cohasset
- Avalon West Long Branch
- Avalon Rockville Centre

We are currently pursuing Certifications at 14 additional communities, representing over 3,500 apartments and 3.5 million square feet

At these sites, AvalonBay is adding nearly 800 new apartment homes while resolving long standing contamination concerns in these local communities.

In North Bergen, NJ “we’ve taken a useless, blighted parcel of land and turned it into a high quality housing and retail operation right on Kennedy Boulevard. This development will bring additional tax dollars to the community,” commented North Bergen Mayor Nick Sacco. Residents will be just a short walk from the Light Rail station, which provides access to the Hudson River waterfront and ferries to New York City. The community is also less than two miles from the Lincoln Tunnel. Residents will have the best of northern New Jersey and Manhattan at their fingertips.

Another example of a major remediation project is Avalon Rockville Centre in Long Island. A long neglected industrial site with significant environmental issues, this parcel of prime downtown real estate was developed by AvalonBay in 2011. The community is within walking distance of the Rockville Centre Long Island Railroad (LIRR) station and it has become a magnet and anchor for the resurgent Rockville Centre commercial and downtown neighborhood.



AVALON ROCKVILLE CENTRE

- 349 apartment homes on 7 acres
- 200,000 cubic yards of contaminated soil removed
- Ongoing groundwater injection treatments to oxidize petroleum and other contaminants
- \$3.6 million spent to date on environmental remediation; \$5 million in total projected clean-up costs through completion

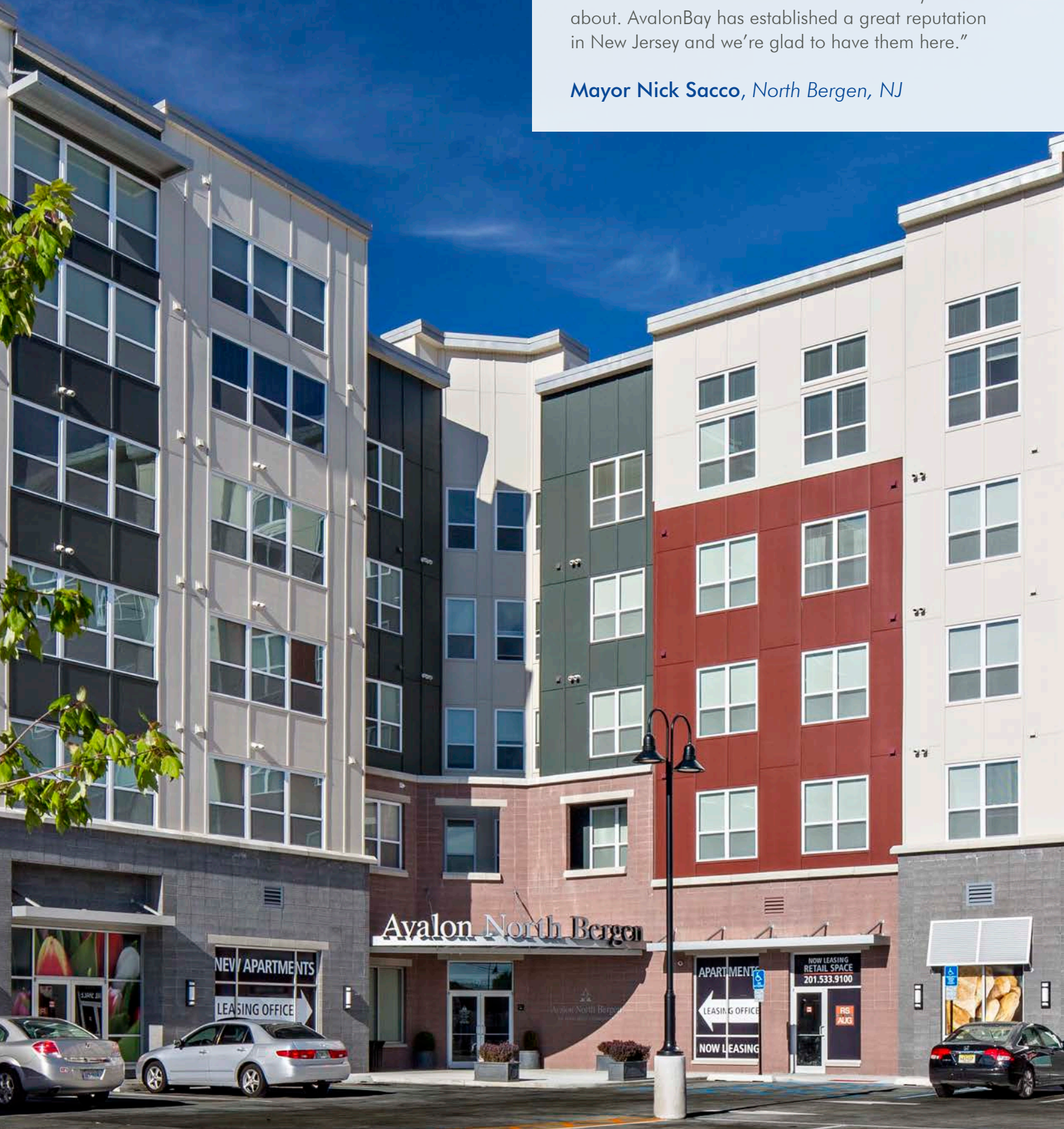
Sustainability in Redevelopment

As of December 31, 2011, AvalonBay had 12 communities under redevelopment in the Northeast, Mid-Atlantic and Northern and Southern California. The Company utilizes its redevelopment platform to enhance its stabilized assets. These efforts often include interior and exterior upgrades designed to increase efficiencies and reduce environmental impacts.

AVALON NORTH BERGEN

"A terrific addition to the town that we're very excited about. AvalonBay has established a great reputation in New Jersey and we're glad to have them here."

Mayor Nick Sacco, North Bergen, NJ



SUSTAINABLE PRACTICES

In 2011, we invested nearly \$65 million in redevelopment projects, resulting in more sustainable, energy efficient, and environmentally responsible upgrades to our communities.

An example of this investment was the 2010-2011 redevelopment of Avalon Princeton Junction in West Windsor, NJ. Originally built in 1988, this community had become outdated and was in need of renovation. As a part of this redevelopment, we undertook several initiatives in the community common areas including:

- Installing rain gauges to improve irrigation system efficiencies
- Using native plants to conserve water
- Implementing simplified single stream recycling
- Resurfacing the fitness center's flooring with recycled rubber

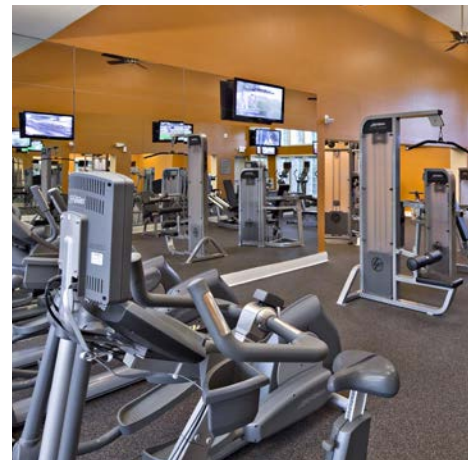
In addition, apartment homes were renovated to include:

- Energy efficient HVAC equipment
- Energy Star refrigerators, dishwashers and lighting fixtures
- Double glazed replacement windows
- Programmable thermostats
- Low-VOC carpeting and paint to enhance air quality
- Low-flow faucets and showerheads

Another example of our redevelopment efforts is Avalon at Prudential Center where to be more energy efficient we:

- Retrofitted existing HVAC equipment
- Replaced cooling towers
- Replaced incandescent lamps with fluorescent bulbs
- Installed motion sensors in common area spaces

AvalonBay completed the redevelopment of Avalon Princeton Junction in 2011



AVALON AT PRUDENTIAL CENTER

AvalonBay completed a major renovation of Avalon at Prudential Center, located in Boston, MA in 2011. The program contributed to significant energy and water savings. Electricity consumption is down 17% (1,146,284 kWh annually), gas consumption is down 22% (3,601 therms annually) and water consumption is down 20% (1,860,000 gallons annually).



AVA QUEEN ANNE

“AVA Queen Anne is a welcome addition to the Seattle community and our statewide economy. As a new, green-oriented community, it fits well with the priorities of our urban communities for sustainable, eco-friendly development. And, in a difficult economic climate, AVA Queen Anne will add jobs, and spur local and neighborhood businesses.”

Congressman Jim McDermott, WA

SUSTAINABLE PRACTICES

Sustainability in Existing Communities

In addition to broader redevelopment opportunities, we have made significant improvements in sustainability across our portfolio of operating communities in the last several years. Nearly 200 different sustainable projects have been completed through 2011 at 85 existing communities, including:

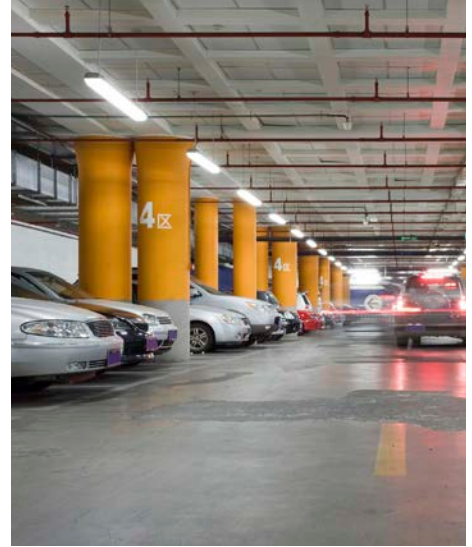
- Replacing incandescent light fixtures with fluorescents
- Replacing older hot water heaters and HVAC equipment with higher efficiency equipment
- Installing low-flow plumbing fixtures in apartments and common areas
- Installing motion sensors and timers on lighting
- Installing programmable thermostats in apartments
- Reducing turf areas and increasing native and drought-resistant vegetation in landscaping, requiring less irrigation, fertilizer and equipment usage
- Installing controls on building system boilers for monitoring
- Replacing older appliances with Energy Star appliances in apartments
- Adding insulation to walls and attic spaces to improve efficiency
- Replacing older windows with energy efficient windows
- Providing shuttle service to mass transit stations
- Installing smart irrigation controllers and equipment
- Implementing recycling programs
- Installing co-generation systems

MONITORING OUR BOILER SYSTEMS

AvalonBay has added a monitoring system to existing boilers at 33 communities (over 9,600 apartment homes), which analyze and program water temperatures to meet the actual demand needed by half hour increments on a weekly cycle. These improvements have contributed to savings of over 1 million therms through 2011.

IMPROVING SUSTAINABILITY AT OUR EXISTING COMMUNITIES

In 2011 AvalonBay invested over \$69 million to improve our operating communities.



Replaced over 2,700 lighting fixtures with energy efficient fluorescent fixtures in parking garages, saving over 2.3 million kWh annually.



Avalon Riverview (NY): Installed cogeneration system, reducing greenhouse gas emissions by 371 tons per year, which is equivalent to taking 65 cars off the road.



Avalon West Long Branch (NJ): Solar panels installed on community clubhouse.

DECLINING ENERGY CONSUMPTION

AvalonBay’s like-for-like energy consumption at communities operating throughout all of 2010 and 2011 declined by 2 million kWh in 2011 from 2010.

Source: Greenprint, Company Data*

DECLINING CO₂ EMISSIONS

CO₂ Emissions generated by energy usage at our like-for-like communities declined to over 550 metric tonnes in 2011 from 2010.

¹ Direct emissions: 40,801 tons CO₂e/year, or 45.7% of total emissions.
 Indirect emissions: 48,438 tons CO₂e/year, or 54.3% of total emissions.

Source: Greenprint, Company Data*

2011 vs 2010 like-for-like Change in Community Consumption

Energy Consumption	Water Consumption	CO ₂ Emissions ²
-0.50%	-2.30%	-0.70%

²CO₂ Emissions Equivalents: 4,263 barrels of oil, 382 cars taken off the road, 94 homes not consuming energy, or 47,001 trees planted

Source: Greenprint, Company Data*

*The majority of the energy consumption data is based on common area and vacant apartment usage for which AvalonBay was billed by the relevant provider. Data does not include consumption by residents which is billed directly to residents from the utility company.

Economic, Infrastructure and Other Benefits of Our Developments

In addition to the general advantages that our developments bring to local communities, there are often very specific public benefits that we provide.

For example, in many of our developments we designate a portion of our apartment homes as affordable housing. Of the more than 5,200 homes under construction as of December 31, 2011, 12% were designated as affordable apartment homes, increasing housing supply for lower income families.

Our developments provide a boost to local economies through the creation of construction jobs, permanent on-site management and maintenance positions, ancillary retail jobs, real estate and payroll tax revenues, and the injection of spending power generated by new residents. We also make direct payments to local municipalities in the form of fees and proffer contributions.



AVALON WEST CHELSEA AVA HIGH LINE

This Avalon/AVA community in Manhattan will include approximately 143 affordable apartment homes upon completion. Average affordable rents are approximately \$3,000/month below market rate apartments.

SUSTAINABLE PRACTICES

For the 19 communities under construction as of December 31, 2011, the Company invested over \$26 million on the following:

- Building, zoning, transportation, and other permit related expenses to local jurisdictions
- Environmental, public recreation, traffic mitigation and improvement, utility and school impact fees and
- Real estate taxes during construction
- Spent over \$1.6 million in recreational fees in Irvine, CA.
- Created public trails and access to adjacent County park and retail centers in Hackensack, NJ.
- Donated 23 acres to Nassau County, NY.
- Spent approximately \$500,000 to improve State roads, an additional \$200,000 to reconstruct a public roadway and \$100,000 to upgrade the Smith Pond pedestrian path and dock in Rockville Centre, NY.
- Renovated the historic Uniondale Farmstand in Uniondale, NY.
- Dedicated an easement for a public riverwalk and improved public sidewalks and streetscapes at a cost of approximately \$200,000 in Fairfield County, CT.
- Protected 10 acres of land through a permanent conservation easement in Franklin Township, NJ.

It is expected that total municipal fees and contributions in conjunction with these communities will exceed \$52 million upon their completion. Some specific examples of municipal fees and contributions include:

- Approximately \$3 million spent in infrastructure improvements related to water, sewer and storm drainage systems as well as public roadways in Nassau County, NY.
- Constructed an on-site sewage treatment plant costing over \$4 million to mitigate the burden on the existing municipal system in Cohasset, MA.
- Over \$2 million paid to local sales tax programs in Washington State with total expected payments to be over \$5 million through completion of two projects.
- Provided a total of over \$2 million to school districts in Uniondale NY, Fairfax County VA, Tustin CA and San Francisco CA.
- Contributed over \$1 million to a local municipality in Westchester County, NY for infrastructure improvements and recreational and transportation programs.



AVALON IRVINE II

Approximately \$5 million dollars invested to alleviate potential impact to transportation, improve neighborhood infrastructure and public parks, municipal water and sewer connect fees and support for the local school district and other transportation initiatives.



AVALON GARDEN CITY

"Our Township encourages progressive developments, both residential and corporate, that complement the suburban character of our region. With its professional standards and state-of-the-art construction, AvalonBay is a great fit for our Hempstead Town lifestyle."

Township Supervisor Kate Murray

SUSTAINABLE PRACTICES

Sustainability in the Workplace - Our Offices

In 2010, we relocated our corporate headquarters to Arlington, VA, designing a new space that underscores our commitment to corporate responsibility. Our corporate headquarters was the first AvalonBay office to obtain LEED Silver under the LEED-CI (Commercial Interiors) ratings system. The office includes the following features:

- Occupancy sensors throughout, including high-efficiency fluorescent light bulbs and LED downlights
- Low-flow faucets with motion sensors
- Low-flow aerators in kitchens
- Finishes and building materials contain recycled content
- Energy Star appliances and equipment
- Materials used during construction manufactured within 500 miles of Arlington
- Environmental Choice cleaning products
- Low-VOC paints and carpet
- Pedestrian access to public transportation

We also updated several operating procedures during 2010 in an effort to be more environmentally aware. These efforts include the use of recycled office supplies, double-sided printing, fluorescent lamps and occupancy sensors, low-flow plumbing fixtures, and several other initiatives. Our secure shredding program, where waste documents from office associates are shredded by a third party, has had measurable positive impact upon the environment, conserv-

ing significant levels of water, electricity, oil, and trees.

AvalonBay is committed to Green Awareness and has implemented a Sustainability Awards program to recognize those who demonstrate a strong commitment to our Sustainability Initiative. We also provide sustainability training to new leasing associates and encourage LEED accreditation and other green designations for our associates. In order to promote sustainability consciousness and awareness throughout the Company, we have designated "Sustainability Ambassadors" for each of our regional offices. We also employ eleven (11) LEED accredited professionals.

As part of our National Procurement Program, we require all material and service providers to submit a sustainability statement. The statement asks our national vendors to explain how their company's efforts contribute to sustainability.

SECURE SHREDDING IMPACTS

Estimates from 2011 program:

Air Pollution Prevented:
3,642 pounds

Landfill Reduction:
182 Cubic Yards

Electricity Saved:
248,838 KW-hours

Oil Saved: 27,918 Gallons

Trees Saved: 1,032 Trees

Water Saved:
424,845 Gallons

Source: Iron Mountain



AVALONBAY'S LEED-CI SILVER CERTIFIED CORPORATE OFFICE



“AvalonBay is committed to maintaining jobsites free of injuries and recognized hazards. AvalonBay will make every reasonable effort to identify and eliminate potential and existing hazards in order to reduce injuries and impacts resulting from on the job accidents. All AvalonBay associates must comply with safety rules, procedures and practices established to prevent injuries and illness.”

AvalonBay Construction Safety Manual

Sustainability in the Workplace - Our Jobsites

In the last decade, AvalonBay has invested over \$5.2 billion in the construction of nearly 21,000 apartment homes. This level of construction activity makes us one of the most active multifamily developers in the country. Despite this level of activity, our focus on safety and a safe work environment have resulted in injuries at our job sites being below national levels as illustrated in the table for Incident Rates below.

We are committed to being leaders in construction and other workplace safety, a commitment that is clearly articulated in the Company’s safety policy manual (see excerpt to the left).

We have a full-time safety professional in place to promote a culture of safety throughout the Company. All construction directors, project managers, superintendents and project engineers must complete a mandatory “Construction Safety Overview” module within the first thirty days of employment. They are also required to take the 30 hour

OSHA training course in “Construction Safety and Health” within ninety days of their hiring. All AvalonBay forepersons, carpenters, laborers, other tradespersons and other construction site employees must also receive safety training by the site Safety Liaison before they are permitted to work on site, as well as additional ongoing hazard specific training for all site employees, including subcontractors, once the job begins. All AvalonBay superintendents are also certified in first aid and CPR.

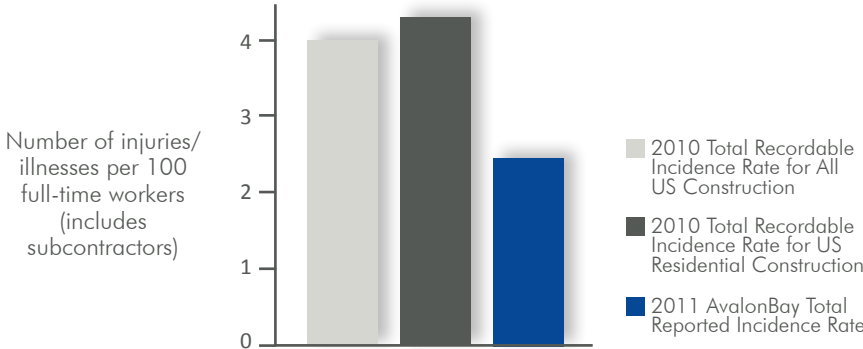
AVALONBAY WORKFORCE REPORTED INCIDENTS		
	2010	2011
AvalonBay Employees	1,962	2,086
Work-Related Fatalities	0	0
Total Injuries	50	41

Our Associates

Our reputation is a result of the hard work and dedication of our associates. AvalonBay is committed to providing a fair, ethical and safe work environment in which all associates are treated with respect.

Since 2001, we have conducted periodic surveys of our associates. We use the data from these surveys to adjust our human resources policies and to better understand the issues and concerns of our associates. These confidential surveys are important tools that help us maintain strong relationships with our associates.

CONSTRUCTION INCIDENCE RATES



SUSTAINABLE PRACTICES

The surveys indicate that our associates have high levels of satisfaction with their positions and with the Company itself.

In 2010 (the most recent survey conducted), data provided by AvalonBay's independent outside research firm indicated that the overall satisfaction rates of our associates have historically ranked among the top 10% among all organizations surveyed worldwide by the research firm.

We offer medical, dental, and vision insurance, as well as Healthcare and Dependent Care flexible spending accounts. We also provide Life Insurance, Disability Insurance, and AD&D Insurance at no cost to associates. Associates have free access to an Employee Assistance Program which provides counseling, financial, legal and family services for them and their immediate family members.

AvalonBay sponsors a company-wide wellness campaign that enables associates to receive free health screening. We also provide a Health Advocate benefit which helps associates and their families navigate issues related to health and insurance concerns, again at no cost. We also offer associates a discount on rent at all AvalonBay communities, a percentage match on 401(k) contributions (up to 6% of contributed pay) and a discount on the purchase of AvalonBay stock.

AvalonBay employs a diverse base of associates and does not tolerate discrimination or harassment. As of December 31, 2011 the Company's workforce was comprised of 2,086 associates of which 98% were full time.

AVALONBAY'S COMPREHENSIVE EMPLOYEE BENEFITS

Medical, Dental and Vision

Life Insurance

Disability Insurance

AD&D Insurance

Employee Assistance Program

Health Screenings

401(k) Company Match

Flexible Healthcare and
Dependent Care
Spending Accounts

Discounts on Rent at
AVB Communities

Discounts on Purchase
of AVB Stock

Training and Development

Training and professional development are a big part of our Focus on Continuous Improvement. We offer approximately 200 different training programs, including training in compliance and ethics, technology systems, management/leadership development, professional skills, OSHA and construction safety, architectural design and construction standards and fair housing



and accessibility. The Company also sponsors programs related to career development, organizational effectiveness and team performance.

We also encourage associates to take advantage of external training opportunities. We partner with professional organizations that offer continuing education programs that enable our associates to earn continuing education credentials. In addition, we provide tuition reimbursement to associates. In 2010 and 2011, we contributed in excess of \$100,000 towards tuition to associates

participating in various educational endeavors.

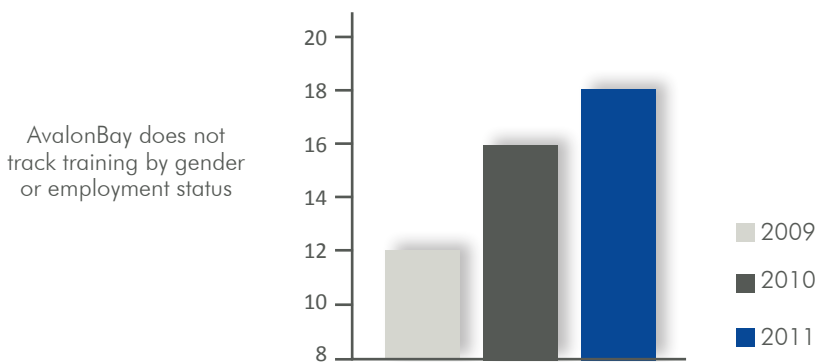
Maintaining a corporate climate that demands integrity and ethical values is critical to AvalonBay. Accordingly, significant corporate resources are dedicated to ensuring compliance with the Company's Code of Business Conduct and ethical requirements. To ensure these values are continually at the forefront of the Company, all associates are required to formally certify their understanding and agreement of the Code at least every other year. Associates in key positions re-certify on an annual basis.

To help enforce the Code, the Company maintains a confidential, anonymous whistle-blower hotline for associates to report any concerns about workplace issues and ethical matters. Our Internal Audit Group, which administers this hotline, reports directly to the Audit Committee of the Board of Directors and is appropriately staffed and resourced with credentialed professionals.

Internal Audit also performs continuous independent reviews and audits of key business activities, including but not limited to, Development, Construction, the Customer Care Center (CCC), On-site Communities as well as corporate processes such as audits of Payroll, Cash Management, Benefits, Marketing, etc. Internal Audit also performs the following to support the ethical environment, the results of which are reported to the Audit Committee of the Board of Directors:

- Administers the Company's annual Sarbanes-Oxley compliance process, which includes testing and reporting on over 200 key financial controls and reviewing over 50 process owner internal control/fraud attestations on a quarterly basis, the results of which support the SEC required CEO/CFO control certifications.
- Performs an annual entity level control assessment based on the COSO internal control framework.
- Conducts an annual fraud risk assessment survey based on key risks identified in the Association of Fraud Examiners (ACFE) Report to the Nations on Occupational Fraud and Abuse.
- Performs an annual fraud entity level control assessment based on the ACFE recommended anti-fraud controls.

AVERAGE TRAINING HOURS PER ASSOCIATE



EMPLOYMENT BY REGION AND GENDER

As of 12/31/2011

	Mid-Atlantic	Northeast	Midwest	California	Pacific Northwest	Total
Male	269	509	21	380	64	1,243
Female	304	249	14	231	45	843
Total	573	758	35	611	109	2,086

SUSTAINABLE PRACTICES

Community Investment: A Spirit of Caring

Our associates share a commitment to one of the Company's core values; A Spirit of Caring. Demonstrating our commitment to this value, from 2009 to 2011 we contributed to over 100 charitable organizations.

Over the past two years AvalonBay associates have risen to the challenge in response to the hardships faced by those in Japan and Haiti by contributing to relief efforts. In each instance, the Company matched associate contributions dollar-for-dollar. In addition, AvalonBay provides each full-time associate with four paid 'Flex' days per year that may be used for a variety of circumstances, including volunteer activities.

We have established a framework and policy on political activities and contributions, which is communicated to all associates and complies with all federal and state regulations governing political contributions by corporations.

Contributions, whether in cash, services or otherwise, and whether to a political candidate, PAC or in support of a community project favored by a candidate, can only be made on behalf of AvalonBay after obtaining the appropriate internal approvals. The established corporate approval procedures ensure that any contributions by AvalonBay are (i) consistent with the Company's business philosophy and values and (ii) within the limits allowed by law. This framework also ensures that all required regulatory filings are made in a timely manner and that the contributions are accounted for appropriately for tax purposes.

Annually, the Company provides an opportunity for senior level associates to contribute to a designated Political Action Committee (PAC), which may be made directly by the individual to the PAC. During 2010 and 2011, AvalonBay associates contributed approximately \$38,000 to NAREIT PAC and \$31,000 to NMHC PAC (National Multi-Housing Council).



CUSTOMER SATISFACTION



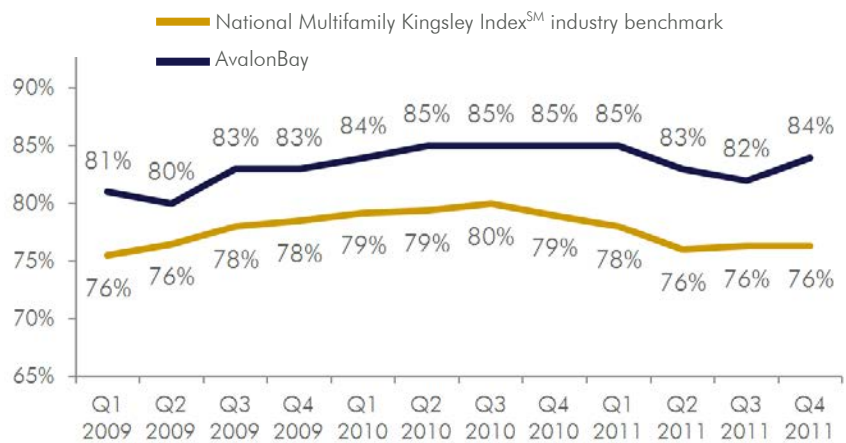
AvalonBay has partnered with Kingsley Associates, a research firm that specializes in the real estate industry, to conduct regular prospect and resident satisfaction surveys. The surveys are administered to all residents at three touch points: after move-in, after lease renewal and just prior to move-out. The surveys enable us to better understand what is important to our residents so that we can identify best practices and improvement areas and ensure that we are providing the best resident experience possible. In addition to analyzing year-over-year performance and trends, Kingsley Associates provides benchmark data so that we can compare our results to geographically and quality-matched multifamily properties.

Our customer satisfaction scores are impacted both by our associates at the communities, as well as those that work in our Customer Care Center (CCC), a centralized administrative and resident assistance center. In general, our

customer satisfaction scores exceed the industry benchmark in the U.S. AvalonBay's outperformance of the industry benchmark is driven primarily by high scores in the office and maintenance team categories reflecting the great work and focus of our on-site associates on customer satisfaction. In addition to the positive feedback about our on-site associates, our CCC also receives high resident satisfaction scores and has seen improved satisfaction every year since tracking of the CCC began in 2009.

As the chart below highlights, the overall satisfaction level among AvalonBay residents has consistently outperformed the National Multifamily Kingsley IndexSM industry benchmark.

AVB OVERALL RESIDENT SATISFACTION



Source: Kingsley Associates. All rights reserved. Based on rolling 4 quarter data.

STAKEHOLDER ENGAGEMENT

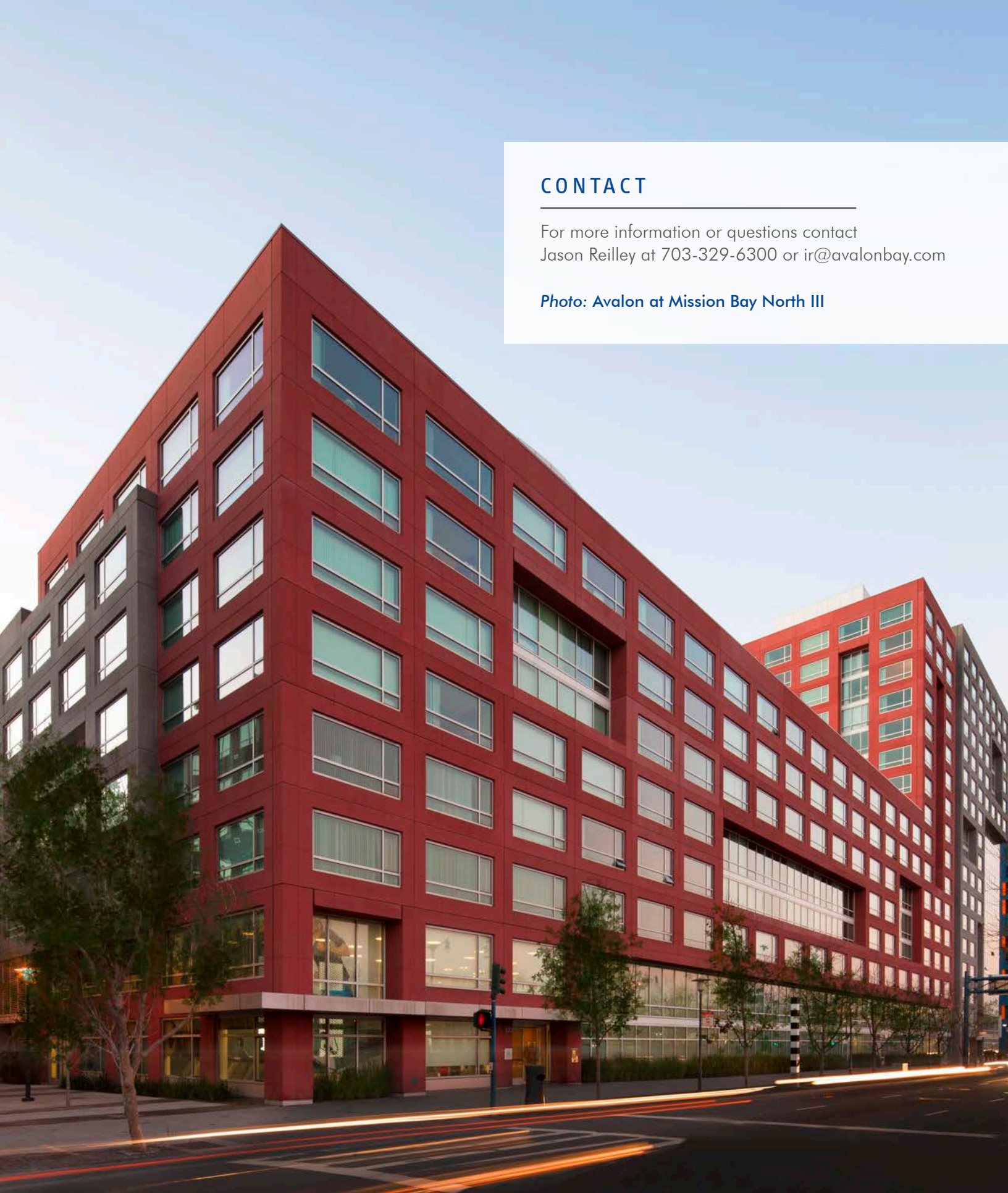
We consider a stakeholder to be any individual, group or community likely to affect, or be affected by, the Company's planning, decisions and activities. We do not view stakeholder engagement as a one-time or ad hoc occurrence designed to respond to a specific need, but rather as an ongoing process and continuing exchange of ideas and information between us and our stakeholders. Through this process we better understand stakeholder needs, interests and priorities, which results in more effective planning and decision-making by the Company. Key stakeholders include the following:

- Stockholders and Investors
- Employees
- Residents in our communities
- Suppliers, contractors and other local businesses
- Local community and neighborhood groups in the communities where we build
- Federal, state and municipal government officials and planning groups

AvalonBay holds itself accountable to its shareholders and other stakeholders. Our Board of Directors is committed to sound corporate governance practices. The Board consists of nine (9) members of which seven (7) are non-employee directors. The Board's Nominating and Corporate Governance Committee, Audit Committee, and Compensation Committee consist solely of independent directors. To further promote sound corporate governance practices and effective Board management, the Board established the position of Lead Independent Director in 2003.

The primary responsibility of the Board is to exercise its business judgment to act in what it reasonably believes to be the best interests of the Company and its shareholders. In carrying out its responsibilities, the Board acts as an advisor to management, oversees and evaluates management's performance, and makes and authorizes strategic decisions for the Company.





CONTACT

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Photo: Avalon at Mission Bay North III

AvalonBay

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