MID AMERICA APARTMENT COMMUNITIES INC
Form 10-Q
May 07, 2009

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

FORM 10-Q

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

For the quarterly period ended March 31, 2009

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)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
þ Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

¨ Yes ¨ No

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

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨	Smaller Reporting Company ¨

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

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

Class	Number of Shares Outstanding at April 20, 2009
Common Stock, $0.01 par value	28,220,636

MID-AMERICA APARTMENT COMMUNITIES, INC.

TABLE OF CONTENTS

MID-AMERICA APARTMENT COMMUNITIES, INC.
Condensed Consolidated Balance Sheets
March 31, 2009 (Unaudited) and December 31, 2008
(Dollars in thousands, except per share data)

	March 31, 2009	December 31, 2008
Assets:		
Real estate assets:		
Land	$ 240,445	$ 240,426
Buildings and improvements	2,223,728	2,198,063
Furniture, fixtures and equipment	68,157	65,540
Capital improvements in progress	12,145	25,268
	2,544,475	2,529,297
Less accumulated depreciation	(717,115)	(694,054)
	1,827,360	1,835,243
Land held for future development	1,306	1,306
Commercial properties, net	8,716	7,958
Investments in real estate joint ventures	6,699	6,824
Real estate assets, net	1,844,081	1,851,331
Cash and cash equivalents	47,666	9,426
Restricted cash	763	414
Deferred financing costs, net	15,210	15,681
Other assets	13,610	16,840
Goodwill	4,106	4,106
Assets held for sale	14,379	24,157
Total assets	$ 1,939,815	$ 1,921,955
Liabilities and Shareholders' Equity:		
Liabilities:		
Notes payable	$ 1,354,246	$ 1,323,056
Accounts payable	1,448	1,234
Fair market value of interest rate swaps	71,275	76,961
Accrued expenses and other liabilities	63,380	66,982
Security deposits	8,994	8,705
Liabilities associated with assets held for sale	328	595
Total liabilities	1,499,671	1,477,533
Redeemable stock	1,588	1,805
Shareholders' equity:		
Preferred stock, $0.01 par value per share, 20,000,000 shares authorized, $155,000 or $25 per share liquidation preference; 8.30% Series H Cumulative Redeemable Preferred Stock, 6,200,000 shares authorized, 6,200,000 shares issued and outstanding	62	62
Common stock, $0.01 par value per share, 50,000,000 shares authorized;		

28,221,253 and 28,224,708 shares issued and outstanding at March 31, 2009, and December 31, 2008, respectively (1)		282		282
Additional paid-in capital		954,807		954,127
Accumulated distributions in excess of net income		(473,661)		(464,617)
Accumulated other comprehensive income		(67,754)		(72,885)
Total Mid-America Apartment Communities, Inc. shareholders' equity		413,736		416,969
Noncontrolling interest		24,820		25,648
Total Equity		438,556		442,617
Total liabilities and equity	$	1,939,815	$	1,921,955

(1) Number of shares issued and outstanding represent total shares of common stock regardless of classification on the consolidated balance sheet. The number of shares classified as redeemable stock on the consolidated balance sheet for March 31, 2009 and December 31, 2008, are 51,493 and 48,579, respectively.

See accompanying notes to consolidated financial statements.

MID-AMERICA APARTMENT COMMUNITIES, INC.
Condensed Consolidated Statements of Operations
Three months ended March 31, 2009, and 2008
(Dollars in thousands, except per share data)

	Three months ended March 31, 2009	Three months ended March 31, 2008
Operating revenues:		
Rental revenues	$ 89,284	$ 86,597
Other property revenues	4,252	4,124
Total property revenues	93,536	90,721
Management fee income	64	28
Total operating revenues	93,600	90,749
Property operating expenses:		
Personnel	11,364	11,143
Building repairs and maintenance	2,812	2,984
Real estate taxes and insurance	11,984	11,274
Utilities	5,508	5,078
Landscaping	2,304	2,295
Other operating	4,259	4,128
Depreciation	23,585	21,916
Total property operating expenses	61,816	58,818
Property management expenses	4,241	4,258
General and administrative expenses	2,459	2,920
Income from continuing operations before non-operating items	25,084	24,753
Interest and other non-property income	80	108
Interest expense	(14,229)	(16,205)
Gain on debt extinguishment	3	-
Amortization of deferred financing costs	(606)	(628)
Net casualty (loss) gains and other settlement proceeds	(144)	128
Loss on sale of non-depreciable assets	-	(3)
Income from continuing operations before loss from real estate joint ventures	10,188	8,153
Loss from real estate joint ventures	(196)	(83)
Income from continuing operations	9,992	8,070
Discontinued operations:		
Income from discontinued operations before gain (loss) on sale	421	200
Gain (loss) on sale of discontinued operations	1,432	(59)
Consolidated net income	11,845	8,211
Net income attributable to noncontrolling interests	706	532
Net income attributable to Mid-America Apartment Communities, Inc.	11,139	7,679
Preferred dividend distributions	3,216	3,216
Net income available for common shareholders	$ 7,923	$ 4,463
Weighted average shares outstanding (in thousands):		
Basic	28,085	25,628

Effect of dilutive stock options		80		169
Diluted		28,165		25,797
Net income available for common shareholders	$	7,923	$	4,463
Discontinued property operations		(1,853)		(141)
Income from continuing operations available for common shareholders	$	6,070	$	4,322
Earnings per share - basic:				
Income from continuing operations available for common shareholders	$	0.21	$	0.17
Discontinued property operations		0.07		(0.00)
Net income available for common shareholders	$	0.28	$	0.17
Earnings per share - diluted:				
Income from continuing operations available for common shareholders	$	0.21	$	0.17
Discontinued property operations		0.07		(0.00)
Net income available for common shareholders	$	0.28	$	0.17
Dividends declared per common share	$	0.615	$	0.615

See accompanying notes to consolidated financial statements.

Mid-America Apartment Communities, Inc.
Condensed Consolidated Statements of Cash Flows
Three Months Ended March 31, 2009 and 2008
(Dollars in thousands)

	2009	2008
Cash flows from operating activities:		
Consolidated net income	$ 11,845	$ 8,211
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of deferred financing costs	24,191	22,896
Stock compensation expense	303	211
Stock issued to employee stock ownership plan	-	248
Redeemable stock issued	84	91
Amortization of debt premium	(90)	(453)
Loss from investments in real estate joint ventures	196	83
Gain on debt extinguishment	(3)	-
Derivative interest (income) expense	(396)	213
Loss on sale of non-depreciable assets	-	3
(Gain) loss on sale of discontinued operations	(1,432)	59
Net casualty loss (gains) and other settlement proceeds	144	(128)
Changes in assets and liabilities:		
Restricted cash	(288)	203
Other assets	3,372	6,467
Accounts payable	223	470
Accrued expenses and other	(9,810)	(7,667)
Security deposits	233	281
Net cash provided by operating activities	28,572	31,188
Cash flows from investing activities:		
Purchases of real estate and other assets	(163)	(23,532)
Improvements to existing real estate assets	(5,011)	(5,931)
Renovations to existing real estate assets	(2,332)	(4,052)
Development	(3,256)	(5,971)
Distributions from real estate joint ventures	44	-
Contributions to real estate joint ventures	(115)	(6,776)
Proceeds from disposition of real estate assets	11,337	502
Net cash provided by (used in) investing activities	504	(45,760)
Cash flows from financing activities:		
Net change in credit lines	31,815	30,444
Principal payments on notes payable	(535)	(22,838)
Payment of deferred financing costs	(136)	(1,333)
Repurchase of common stock	(220)	(399)
Proceeds from issuances of common shares and units	284	19,082
Distributions to noncontrolling interests	(1,561)	(1,626)
Dividends paid on common shares	(17,267)	(15,675)
Dividends paid on preferred shares	(3,216)	(3,216)
Net cash provided by financing activities	9,164	4,439
Net increase (decrease) in cash and cash equivalents	38,240	(10,133)

Cash and cash equivalents, beginning of period		9,426		17,192
Cash and cash equivalents, end of period	$	47,666	$	7,059
Supplemental disclosure of cash flow information:				
Interest paid	$	12,682	$	15,994
Supplemental disclosure of noncash investing and financing activities:				
Accrued construction in progress	$	5,987	$	6,465
Interest capitalized	$	62	$	114
Marked-to-market adjustment on derivative instruments	$	5,852	$	(25,580)
Reclass of redeemable stock from equity to liabilities	$	-	$	472

See accompanying notes to consolidated financial statements.

Mid-America Apartment Communities, Inc.
Notes to Condensed Consolidated Financial Statements
March 31, 2009, and 2008 (Unaudited)

1. Consolidation and Basis of Presentation

Mid-America Apartment Communities, Inc. is a self-administered real estate investment trust, or REIT, that owns, acquires, renovates, develops and manages apartment communities in the Sunbelt region of the United States. As of March 31, 2009, we owned or owned interests in a total of 144 multifamily apartment communities comprising 42,252 apartments located in 13 states, including two communities comprising 626 apartments owned through our joint venture, Mid-America Multifamily Fund I, LLC, two communities comprising 536 apartments identified as held for sale, and two existing communities with expansion development phases comprising 340 apartments. An additional 45 apartments have been identified for and begun construction at one of our development properties, but have not been included in the total above as none of the units had been delivered as of March 31, 2009.

The accompanying unaudited condensed consolidated financial statements have been prepared by our management in accordance with U.S. generally accepted accounting principles for interim financial information and applicable rules and regulations of the Securities and Exchange Commission and our accounting policies in effect as of December 31, 2008 as set forth in our annual consolidated financial statements, as of such date. The accompanying unaudited condensed consolidated financial statements include the accounts of Mid-America Apartment Communities, Inc. and its subsidiaries, including Mid-America Apartments, L.P. In our opinion, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included and all such adjustments were of a normal recurring nature. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the three month period ended March 31, 2009 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2008.

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

On December 4, 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51, or Statement 160. Statement 160 requires a noncontrolling interest of a subsidiary to be reported as equity and the amount of consolidated net income specifically attributable to the noncontrolling interest to be indentified in the consolidated financial statements. When adopting Statement 160, a noncontrolling interest that is considered to be redeemable under the guidance of EITF Topic D-98, Classification and Measurement of Redeemable Securities (Topic D-98) is to be classified outside of permanent equity. We adopted Statement 160 effective January 1, 2009, and after concluding that the noncontrolling interest is not redeemable under the guidance in Topic D-98 have reported it in equity in the Consolidated Balance Sheet. Additionally, the income attributable to the noncontrolling interest is presented in the Consolidated Statements of Operations and the Consolidated Statements of Cash Flows. The additional disclosures required by Statement 160 and the retrospective effect on total shareholders equity are outlined in Note 3 to the consolidated financial statements.

2. Segment Information

As of March 31, 2009, we owned or had an ownership interest in 144 multifamily apartment communities in 13 different states from which we derived all significant sources of earnings and operating cash flows. Our operational structure is organized on a decentralized basis, with individual property managers having overall responsibility and authority regarding the operations of their respective properties. Each property manager individually monitors local, market and submarket trends in rental rates, occupancy percentages, and operating costs. Property managers are given the on-site responsibility and discretion to react to such trends in our best interest. Our chief operating decision maker evaluates the performance of each individual property based on its contribution to net operating income in order to ensure that the individual property continues to meet our return criteria and long-term investment goals. We define each of our multifamily communities as an individual operating segment. We have also determined that all of our communities have similar economic characteristics and also meet the other criteria which permit the communities to be aggregated into one reportable segment, which is the acquisition and operation of the multifamily communities owned.

3. Comprehensive Income and Equity

Total comprehensive income, equity and their components for the three month periods ended March 31, 2009, and 2008, including the effect of adopting Statement of Financial Accounting Standards No. 160, or Statement 160, were as follows (dollars in thousands):

			Mid-America Apartment Communities, Inc. Shareholders					
	Total	Comprehensive Income	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest
EQUITY AT DECEMBER 31, 2008	$ 442,617		$ 62	$ 282	$ 954,127	$ (464,617)	$ (72,885)	$ 25,648
Equity Activity Excluding Comprehensive Income:								
Issuance and registration of common shares	278				278			
Shares repurchased and retired	(220)				(220)			
Exercise of stock options	10				10			
Redeemable stock fair market value and issuances	301					301		
Adjustment for Noncontrolling Interest Ownership in	-				298			(298)

operating partnership								
Amortization of unearned compensation	314				314			
Dividends on common stock ($0.615 per share)	(17,268)					(17,268)		-
Dividends on noncontrolling interest units ($0.615 per unit)	(1,561)							(1,561)
Dividends on preferred stock	(3,216)					(3,216)		
Comprehensive income:								
Net income	11,845	11,845				11,139		706
Other comprehensive income - derivative instruments (cash flow hedges)	5,456	5,456					5,131	325
Comprehensive income	17,301	17,301						
EQUITY BALANCE MARCH 31, 2009	$ 438,556		$ 62	$ 282	$ 954,807	$ (473,661)	$ (67,754)	$ 24,820

			Mid-America Apartment Communities, Inc. Shareholders					
	Total	Comprehensive Income	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrollin Interest
QUITY AT ECEMBER , 2007	$ 429,824		$ 62	$ 257	$ 832,511	$ (414,966)	$ (15,664)	$ 27,6
uity tivity cluding								

omprehensive come:					
suance and gistration f common hares	21,224	4	21,220		
hares purchased nd retired	(399)		(399)		
xercise of ock options	207		207		
tock issued employee ock wnership an	248		248		
hares sued in xchange om deemable ock	413		413		
edeemable ock fair arket value nd suances	(282)			(282)	
djustment r oncontrolling terest wnership					
perating artnership	-		(1,029)		1,0
mortization f unearned ompensation	163		163		
ividends n common ock 0.615 per hare)	(16,004)			(16,004)	
ividends on oncontrolling terest units 0.615 per nit)	(1,591)				(1,59
ividends n preferred ock	(3,216)			(3,216)	

mprehensive come:								
et income	8,211	8,211				7,679		5
ther mprehensive come - erivative nstruments cash flow edges)	(25,580)	(25,580)					(23,923)	(1,65
omprehensive come	(17,369)	(17,369)						
QUITY ALANCE ARCH 31, 08	$ 413,218		$ 62	$ 261	$ 853,334	$ (426,789)	$ (39,587)	$ 25,9

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

4. Real Estate Dispositions

On January 15, 2009, we sold the Woodstream apartments, a 304-unit community located in Greensboro, North Carolina.

5. Real Estate Acquisitions

On August 27, 2008, we purchased 215 units of the 234-unit Village Oaks apartments located in Temple Terrace, Florida, a suburb of Tampa. Throughout the remainder of 2008, we purchased four of the 19 units which had been sold as condominiums. On January 16, 2009, and February 18, 2009, we purchased one additional unit each.

6. Discontinued Operations

As part of our portfolio strategy to selectively dispose of mature assets that no longer meet our investment criteria and long-term strategic objectives, in July 2008, we entered into marketing contracts to list the 440-unit River Trace apartments in Memphis, Tennessee, the 96-unit Riverhills apartments in Grenada, Mississippi, and the 304-unit Woodstream apartments in Greensboro, North Carolina. The Woodstream apartments were subsequently sold on January 15, 2009. In accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, or Statement 144, all of these communities are considered discontinued operations in the accompanying condensed consolidated financial statements.

The following is a summary of discontinued operations for the three month periods ended March 31, 2009 and 2008, (dollars in thousands):

	Three Months Ended March 31,	
	2009	2008

Revenues		
Rental revenues	$ 969	$ 1,332
Other revenues	37	63
Total revenues	1,006	1,395
Expenses		
Property operating expenses	560	714
Depreciation	-	352
Interest expense	25	129
Total expense	585	1,195
Income from discontinued operations before gain on sale	421	200
Gain (loss) on sale of discontinued operations	1,432	(59)
Income from discontinued operations	$ 1,853	$ 141

7. Share and Unit Information

On March 31, 2009, 28,221,253 common shares and 2,403,515 operating partnership units were outstanding, representing a total of 30,624,768 shares and units. Additionally, Mid-America had outstanding options for the purchase of 24,882 shares of common stock at March 31, 2009, of which 21,860 were anti-dilutive. At March 31, 2008, 26,141,363 common shares and 2,423,819 operating partnership units were outstanding, representing a total of 28,565,182 shares and units. Additionally, Mid-America had outstanding options for the purchase of 102,413 shares of common stock at March 31, 2008, of which 47,990 were anti-dilutive.

8. Derivative Financial Instruments

In the normal course of business, we use certain derivative financial instruments to manage, or hedge, the interest rate risk associated with our variable rate debt or to hedge anticipated future debt transactions to manage well-defined interest rate risk associated with the transaction.

We do not use derivative financial instruments for speculative or trading purposes. Further, we have a policy of entering into contracts with major financial institutions based upon their credit rating and other factors. When viewed in conjunction with the underlying and offsetting exposure that the derivatives are designated to hedge, we have not sustained any material loss from those instruments nor do we anticipate any material adverse effect on our net income attributable to Mid-America Apartment Communities, Inc. or financial position in the future from the use of derivatives.

We utilize derivative financial instruments that can be designated as cash flow hedges and which are expected to be highly effective in reducing the interest rate risk exposure that they are designed to hedge. This effectiveness is essential for qualifying for hedge accounting. Instruments that meet the special hedging criteria in FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Instruments, are formally designated as hedging instruments at the inception of the derivative contract. We formally document all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking the hedge transaction. This process includes linking all derivatives that are designated as cash flow hedges to specific assets and liabilities on the balance sheet or forecasted transactions. We also formally assess, both at the inception of the hedging relationship and on an ongoing basis, whether the derivatives used are highly effective in offsetting changes in cash flows of hedged items. When it is determined that a derivative has ceased to be a highly effective hedge, we discontinue hedge accounting prospectively.

All of our derivative financial instruments are reported at fair value, are represented on the consolidated balance sheet within Other assets and Fair market value of interest rate swaps, and are characterized as cash flow hedges. These transactions hedge the future cash flows of debt transactions through interest rate swaps that convert variable payments to fixed payments and interest rate caps that limit the exposure to rising interest rates. As of March 31, 2009, we have entered into 34 interest rate swaps and 14 interest rate caps with a total notional balance of $883.2 million and $97.3 million, respectively. As of March 31, 2009 and 2008, we recorded a liability of approximately $71.3 million and $41.8 million, respectively, to Fair market value of interest rate swaps in the consolidated balance sheets. We also recorded approximately $0.2 million and $0.0 million as of March 31, 2009 and 2008, respectively, to other assets in the consolidated balance sheets. The table below presents our assets and liabilities measured at fair value on a recurring basis as of March 31, 2009 and 2008, respectively.

Fair Values of Derivative Instruments in the Condensed Consolidated Balance Sheets as of March 31, 2008 and March 31, 2009

	Asset Derivatives				Liability Derivatives			
	March 31, 2008 (dollars in thousands)		March 31, 2009 (dollars in thousands)		March 31, 2008 (dollars in thousands)		March 31, 2009 (dollars in thousands)	
Derivatives designated as hedging instruments under Statement 133	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate contracts	Other assets	$ 15	Other assets	$ 217	Fair Market Value of Interest Rate Swaps	$ 41,759	Fair Market Value of Interest Rate Swaps	$ 71,275
Total derivatives designated as hedging instruments under Statement 133		$ 15		$ 217		$ 41,759		$ 71,275

The unrealized gains/losses in the fair value of these hedging instruments are reported on the balance sheet with a corresponding adjustment to accumulated other comprehensive income, with any ineffective portion of the hedging transactions reclassified to earnings. As of March 31, 2009, and 2008, the year-to-date ineffective portion of the hedging transactions reclassified to earnings was a $435,000 decrease, and an $188,000 increase, respectively, to interest expense. The table below presents our financial performance of assets and liabilities measured at fair value on a recurring basis for the three months ended March 31, 2009.

The Effect of Derivative Instruments on the Consolidated Statements of Operations for the three months ended March 31, 2009 and 2008 (dollars in thousands)

Derivatives in Statement 133 Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from

			Accumulated OCI into Income (Effective Portion)			Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Effectiveness Testing)		
	3/31/2008	3/31/2009		3/31/2008	3/31/2009		3/31/2008	3/31/2009
Interest rate contracts	$ (25,772)	$ 5,844	Interest Expense	$ -	$ -	Interest Expense	$ (188)	$ 396
Total	$ (25,772)	$ 5,844		$ -	$ -		$ (188)	$ 396

If it becomes probable that the underlying hedged forecasted debt transactions will not occur or, if a derivative contract no longer qualifies for hedge accounting or is terminated, all future changes in the fair value of the derivative contract are marked-to-market with changes in value included in net income attributable to Mid-America Apartment Communities, Inc. for each period until the derivative instrument matures, is settled, or is re-designated. If the hedged forecasted debt transaction becomes probable of not occurring, amounts previously deferred in accumulated other comprehensive income will immediately be reclassified to net income attributable to Mid-America Apartment Communities, Inc. If the hedged forecasted debt transaction remains probable to occur, these same previously deferred amounts will be amortized over the remaining hedged forecasted debt transactions.

As of March 31, 2009, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position is $74.5 million. Certain of our derivative contracts are credit enhanced by either FNMA or Freddie Mac. These derivative instrument contracts require that our credit enhancing party maintain credit ratings above a certain level. If the credit rating of the credit enhancing party were to fall below these levels, it would trigger additional collateral to be deposited with the counterparty up to 100 percent of the liability position of the derivative contracts. As of March 31, 2009, the fair value of these derivatives was in a net liability position of $72.7 million of which our credit enhancing parties would be responsible for posting up to $53.2 million and we would be responsible for posting up to $19.5 million. Both FNMA and Freddie Mac are currently rated Aaa by Moody's and AAA by S&P. The following table summarizes the credit ratings that would trigger the credit-risk-related contingent features, along with the combined amount that would be required to post under each credit rating scenario, if triggered, as of March 31, 2009.

Credit Risk Contingency Collateral Requirements
As of March 31, 2009

Credit Rating		
Moody's	S&P	Required Collateral
Aaa	AAA	$0
Aa1	AA+	$0
Aa2	AA	$0

Aa3	AA-	$0
A1	A+	($4,366,232)
A2	A	($11,593,218)
A3	A-	($60,597,956)
Baa1	BBB+	($72,661,155)

Certain of our derivative contracts contain a cross default provision under which a default under certain of our other indebtedness in excess of a threshold amount causes an event of default under the agreement. Threshold amounts range from $1 million to $75 million. As of March 31, 2009, the fair value of derivatives containing cross default provisions was in a liability position of $20.9 million. Following an event of default, a termination event may occur, and we would be required to settle our obligations under the agreements at their termination value of $22.3 million as of March 31, 2009. Although our derivative contracts are subject to master netting arrangements which serve as credit mitigants to both us and our counterparties under certain situations, we do not net our derivative fair values or any existing rights or obligations to cash collateral on the consolidated balance sheet.

In accordance with Statement 157, we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy. However, we have determined that the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of our own default as well as the default of our counterparties. As of March 31, 2009, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 3 of the fair value hierarchy.

The table below presents Mid-America's assets and liabilities measured at fair value on a recurring basis as of March 31, 2009, aggregated by the level in the fair value hierarchy within which those measurements fall.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at March 31, 2009
(dollars in thousands)

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2009
Assets				
Derivative financial instruments	$ -	$ -	$ 217	$ 217
Liabilities				
Derivative financial instruments	$ -	$ -	$ 71,275	$ 71,275

The table below presents a reconciliation of the beginning and ending balances of assets and liabilities having fair value measurements based on significant unobservable inputs (Level 3).

Changes in Level 3 Assets/(Liabilities) Measured at Fair Value on a Recurring Basis at March 31, 2009

(dollars in thousands)

	Balance at 12/31/2008	Total Gains Included in Income	Total Realized and Unrealized Gains Included in Other Comprehensive Income	Purchases, Issuances and Settlements	Net Transfers In and/or Out of Level 3	Balance at 3/31/2009
Derivative financial instruments	$ (76,910)	$ (396)	$ 5,948	$ 300	$ -	$ (71,058)

Of the instruments for which Mid-America utilized significant Level 3 inputs to determine fair value and that were still held by Mid-America at March 31, 2009, the unrealized gain for the three months ended March 31, 2009 was $5.9 million. The fair value of these instruments are reported on the balance sheet in Other assets and Fair market value of interest rate swaps with a corresponding adjustment for the unrealized gains/losses to accumulated other comprehensive income, with any ineffective portion of the hedging transactions reclassified to interest expense. We use three major banks to provide nearly 80% of our swaps, JP Morgan Chase, Royal Bank of Canada, and Deutsche Bank, all of which have high investment grade ratings from Moody's and S&P. Our interest rate swaps with JP Morgan Chase, Royal Bank of Canada, and Deutsche Bank had liability positions on our Condensed Consolidated Balance Sheets of $6.9 million, $25.6 million and $28.5 million, respectively, as of March 31, 2009.

Both observable and unobservable inputs may be used to determine the fair value of positions that Mid-America has classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The fair value estimates presented herein are based on information available to management as of March 31, 2009, and 2008. These estimates are not necessarily indicative of the amounts Mid-America could ultimately realize.

9. Recent Accounting Pronouncements

Impact of Recently Issued Accounting Standards

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 Fair Value Measurements, or Statement 157. Statement 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Statement 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. FASB Staff Position No. FAS 157-2 Effective Date of FASB Statement 157, or FSP 157-2, delays the effective date of Statement 157 for nonfinancial assets and nonfinancial liabilities except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. For these items, the effective date will be for fiscal years beginning after November 15, 2008. We adopted Statement 157 effective January 1, 2008 and FSP 157-2 effective January 1, 2009. The adoption did not have a material impact on our consolidated financial condition or results of operations taken as a whole.

On December 4, 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (Revised 2007), Business Combinations, or Statement 141R. Statement 141R will significantly change the accounting for business combinations. Under Statement 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. Statement 141R will change the accounting treatment for certain specific items, including acquisition costs which will generally be expensed as incurred. This will have a material impact on the way we account for property acquisitions and therefore will have a material impact on our financial statements. Statement 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We adopted Statement 141R effective January 1, 2009.

On December 4, 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51, or Statement 160. Statement 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. Statement 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. This has impacted our financial statement presentation by requiring the interests in the operating partnership not owned by the company (noncontrolling interests) be presented as a component of equity in the company’s consolidated financial statements and income contributable to the noncontrolling interests be a component of net income. Statement 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Notes 1 and 3 to the consolidated financial statements describe the effect of our adopting Statement 160 effective January 1, 2009.

On March 19, 2008, the FASB issued FASB Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities - an Amendment of FASB Statement 133, or Statement 161. Statement 161 enhances required disclosures regarding derivatives and hedging activities, including enhanced disclosures regarding how an entity uses derivative instruments and how derivative instruments and related hedged items are accounted for under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Statement 161 is effective for fiscal years and interim periods beginning after November 15, 2008. We adopted Statement 161 effective January 1, 2009, and the required disclosures are included in Note 8 to the consolidated financial statements.

In June 2008, the FASB issued FSP No. EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities to clarify that unvested share-based awards containing nonforfeitable rights to dividends are participating securities and, therefore, need to be included in the earnings allocation in computing earnings per share, or EPS, under the two-class method described in SFAS No. 128, Earnings Per Share. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior period EPS data presented are to be adjusted retrospectively (including interim financial statements, summaries of earnings, and selected financial data) to conform with the provisions of this FSP. We adopted this FSP effective January 1, 2009 and it had a minor impact on our number of shares which did not change net income available for common shareholders per share.

In September 2008, the FASB ratified EITF Issue No. 08-5, Issuer’s Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement, or EITF 08-5. EITF 08-5 requires that the measurement of liabilities with inseparable, third-party credit enhancements carried at or disclosed at fair value on a recurring basis exclude the effect of the credit enhancement. EITF 08-5 is effective on a prospective basis in the first reporting period beginning on or after December 15, 2008. We adopted EITF 08-5 effective January 1, 2009. This EITF will remove the effect of the agency credit enhancements from our calculation of the fair value of our derivative instruments and will materially increase the value represented in the balance sheet. The impact of this EITF on our Q1 2009 financial position is approximately a $2.0 million increase to the fair value of our derivative instruments.

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

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

Forward Looking Statements

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

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

- inability to generate sufficient cash flows due to market conditions, changes in supply and/or demand, competition, uninsured losses, changes in tax and housing laws, or other factors;
- increasing real estate taxes and insurance costs;
- failure of new acquisitions to achieve anticipated results or be efficiently integrated into us;
- failure of development communities to lease-up as anticipated;
- inability of a joint venture to perform as expected;
- inability to acquire additional or dispose of existing apartment units on favorable economic terms;
- losses from catastrophes in excess of our insurance coverage;
- unexpected capital needs;
- inability to attract and retain qualified personnel;
- potential liability for environmental contamination;
- adverse legislative or regulatory tax changes;
- litigation and compliance costs associated with laws requiring access for disabled persons;
- imposition of federal taxes if we fail to qualify as a REIT under the Internal Revenue Code in any taxable year or foregone opportunities to ensure REIT status;
- inability to acquire funding through the capital markets;
- inability to pay required distributions to maintain REIT status due to required debt payments;
- changes in interest rate levels, including that of variable rate debt, such as extensively used by us;
- loss of hedge accounting treatment for interest rate swaps due to volatility in the financial markets;
- the continuation of the good credit of our interest rate swap and cap providers;
- the availability of credit, including mortgage financing, and the liquidity of the debt markets, including a material deterioration of the financial condition of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, at present operating under the conservatorship of the United States Government; and

- inability to meet loan covenants.

Critical Accounting Policies and Estimates

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

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

Revenue Recognition

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.

Mid-America records all gains and losses on 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.

Development costs, which are limited to adding new units to three existing properties, are capitalized in accordance with Statement No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects and Statement No. 34, Capitalization of Interest Cost.

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.

In accordance with Statement 142, 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

We utilize 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 our variable rate debt or as hedges in anticipation of future debt transactions to manage well-defined interest rate risk associated with the transaction.

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

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

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

Overview of the Three Months Ended March 31, 2009

As anticipated, weaker demand for apartment housing caused our same store revenues to drop by $600,000 in the first quarter of 2009 from the first quarter of 2008 as we reduced pricing on new leases to build occupancy from year end. However, we suffered less pressure from move-outs as fewer people left our properties to buy a house. Our same store expenses in the first quarter of 2009 were actually reduced from the same quarter a year ago as we turned fewer apartments and took full advantage of system improvements to build operating efficiencies. Our interest expenses was down by approximately $2 million for the quarter as we also benefited from decreased interest rates, which more than offset the increase in our average debt outstanding from the first quarter of 2008.

Our same store portfolio consists of those properties in our portfolio which have been held and were stabilized for at least 12 months. Communities not included in the same store portfolio would include acquisitions within the last 12 months, communities being developed or in lease-up, and communities undergoing extensive renovations.

The following is a discussion of the consolidated financial condition and results of operations of Mid-America for the three month period ended March 31, 2009. This discussion should be read in conjunction with the condensed consolidated financial statements appearing elsewhere in this report. These financial statements include all adjustments, which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim period presented, and all such adjustments are of a normal recurring nature.

Results of Operations

Comparison of the Three Months Ended March 31, 2009 to the Three Months Ended March 31, 2008

Property revenues for the three months ended March 31, 2009 were approximately $93.5 million, an increase of $2.8 million from the three months ended March 31, 2008 due to (i) a $3.2 million increase in property revenues from the five properties acquired during 2008, or the 2008 Acquisitions, and (ii) a $0.6 million increase in property revenues from our development communities. These increases were partially offset by a $1.0 million decrease in property revenues from all other communities. The decrease in property revenues from all other communities was generated primarily by our same store portfolio and was driven by a 0.2% decrease in average effective rent per unit and a 0.2% decrease in physical occupancy in the first quarter of 2009 from the first quarter of 2008.

Property operating expenses include costs for property personnel, property bonuses, building repairs and maintenance, real estate taxes and insurance, utilities, landscaping and other property related costs. Property operating expenses for the three months ended March 31, 2009 were approximately $38.2 million, an increase of approximately $1.3 million from the three months ended March 31, 2008 due primarily to increases in property operating expenses of (i) $1.1 million from the 2008 Acquisitions, and (ii) $0.3 million from our development communities. These increases were partially offset by a decrease in property operating expense of $0.1 million from all other communities. The decrease in property operating expenses from all other communities was generated primarily by our same store portfolio and was driven by a 7.7% decrease in repair and maintenance as resident turnover decreased and as we continued to improve processes.

Depreciation expense for the three months ended March 31, 2009 was approximately $23.6 million, an increase of approximately $1.7 million from the three months ended March 31, 2008 primarily due to the increases in depreciation expense of (i) $0.9 million from the 2008 Acquisitions, (ii) $0.1 million from our development communities, and (iii) $0.8 million from all other communities. Increases of depreciation expense from all other communities resulted from asset additions made during the normal course of business. These increases were partially offset by a decrease in depreciation expense of $0.1 million from the expiration of the amortization of fair market value of leases of previously acquired communities.

Property management expenses for the three months ended March 31, 2009 were approximately $4.2 million, a slight decrease from the $4.3 million of property management expenses in the first quarter of 2008. General and administrative expenses decreased by approximately $0.5 million over this same period to $2.5 million, partially related to lower incentive bonuses.

Interest expense for the three months ended March 31, 2009 was approximately $14.2 million, a decrease of $2.0 million from the three months ended March 31, 2008. While our average debt outstanding increased by approximately $46.8 million from the first quarter of 2008 to the first quarter of 2009, this was more than offset by the decrease in our average cost of debt from 5.12% to 4.32% over the same period.

In the three months ended March 31, 2009, Mid-America benefited from gains of approximately $1.4 million due to the sale of a property.

Primarily as a result of the foregoing, net income attributable to Mid-America Apartment Communities, Inc. increased by approximately $3.5 million in the first quarter of 2009 from the first quarter of 2008.

Funds From Operations and Net Income

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

In response to the Securities and Exchange Commission's Staff Policy Statement relating to Emerging Issues Task Force Topic D-42 concerning the calculation of earnings per share for the redemption of preferred stock, we include the amount 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.

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

The following table is a reconciliation of FFO to net income attributable to Mid-America Apartment Communities, Inc. for the three month periods ended March 31, 2009, and 2008 (dollars and shares in thousands):

	Three months ended March 31,	
	2009	2008

Net income attributable to Mid-America Apartment Communities, Inc.	$ 11,139	$ 7,679
Depreciation of real estate assets	23,120	21,609
Net casualty loss (gains) and other settlement proceeds	144	(128)
Depreciation of real estate assets of discontinued operations	-	352
(Gains) loss on sales of discontinued operations	(1,432)	59
Depreciation of real estate assets of real estate joint ventures	264	95
Preferred dividend distribution	(3,216)	(3,216)
Net income attributable to noncontrolling interests	706	532
Funds from operations	$ 30,725	$ 26,982
Weighted average shares and units:		
Basic	30,488	28,052
Diluted	30,569	28,180

FFO for the three month period ended March 31, 2009 increased primarily as the result of recently acquired properties and reduced interest expense as discussed above in Results of Operations.

Trends

During the first quarter of 2009, rental demand for apartments was weaker in most of our markets when compared to the first quarter of 2008. One of the primary drivers of apartment demand is job formation, and the job losses across all of our markets (with the significant exception of Texas) impacted apartment demand and pricing. Although job losses in the markets where our properties are located were significantly less than the national average, apartment demand weakened at most of our locations.

Partially mitigating the severe job losses was an apparent continuation of the trend of households moving back to the rental market from buying houses. The primary reason that our residents leave us is to buy a house, and we have seen that reason as a percent of total move-outs continue to drop. Analysts point out that homeownership increased from 65% to over 69% of households over ten years ending in 2005. This increase, representing approximately five million households, was driven primarily by the availability of new mortgage products, many requiring no down-payment and minimal credit ratings. 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.

We also benefited on the supply side, as the lack of available financing for new apartment construction resulted in relatively few new apartments entering the market as new competition. Also, 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 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 significant amount of capital to markets where most of the excessive inflation in house prices has occurred. We saw significant rental competition from condominiums and/or single family houses in only a few submarkets.

Our focus in the quarter was on sustaining occupancy as we entered what we think will continue to be a weaker leasing market for several quarters. By focusing on aggressive efforts to build and sustain traffic, and pricing aggressively, we were largely successful at this, as our occupancy ended the quarter only just short of the record level reached at the end of March, 2008.

Overall same store revenues weakened 0.8% compared to the same quarter a year ago. Of our primary markets, Dallas was strongest growing revenues 3.8% on a same store basis, while Atlanta and Jacksonville were weakest. Of our secondary markets, Columbus, GA and Little Rock were strongest, growing same store revenues 6.6% and 4.7%, respectively, while Memphis was one of our weakest secondary markets with revenues declining 3.0% from the same quarter a year ago.

We believe that the decline in same store revenue will be temporary, and that revenue growth should resume as soon as the second half of 2010. We also believe reduced availability of financing for new apartment construction will likely limit new apartment supply, and more sustainable credit terms for residential mortgages should work to favor rental demand at existing multi-family properties. At the same time, we expect long term demographic trends, including the growth of prime age groups for rentals, immigration, and population movement to the southeast and southwest will continue to build apartment rental demand for our markets.

While it seems likely that we will continue to face declining economic growth as a result of reduced liquidity in the economy throughout 2009 and into the first half of 2010, we think that the supply of new apartments is not excessive, and that positive absorption of apartments will return for most of our markets later in 2010. Should the economy fall into a deeper recession, the limited new supply of apartments and the more disciplined mortgage financing for single family home buying should lessen the impact.

We continue to develop improved products, operating systems and procedures that enable us to capture more revenues. Revenue opportunities in ancillary services (such as re-selling cable television and internet access), improved collections, and utility reimbursements enable us to capture increased revenue dollars.

We also actively work on improving processes and products to reduce expenses, such as new web-sites and internet access for our residents that enable them to transact their business with us more simply and effectively. Another example is that we introduced new systems to improve the apartment get-ready process, and we also implemented new software to improve our purchasing and accounts payable processes, all of which improve our operating expenses and customer service.

During the quarter ended March 31, 2009 we continued to have the benefit of lower interest rates resulting from improved market for Fannie Mae and Freddie Mac debt securities. Much of this was due to government action to improve liquidity in the credit markets, and resulted in a lower cost of debt for us. We expect this to continue for much of 2009 as the government expands its efforts in this area, and as a result we are forecasting lower interest costs for the balance of 2009.

Liquidity and Capital Resources

Net cash flow provided by operating activities decreased by approximately $2.6 million from $31.2 million in the first quarter of 2008 to $28.6 million in the first quarter of 2009 mainly as a result of the timing of real estate tax payments.

Net cash provided by investing activities was approximately $0.5 million during the first quarter of 2009, compared to net cash used in investing activities of approximately $45.8 million during the first quarter of 2008, mainly related to acquisition and disposition activity. In the first quarter of 2008, Mid-America had cash outflows of $23.5 million for a wholly owned acquisition and $6.8 million representing Mid-America's share of two acquisitions purchased by Mid-America Multifamily Fund I, LLC, or Fund I, Mid-America's joint venture. In the first quarter of 2009, Mid-America received $11.3 million from the sale of a property and made no significant acquisitions.

Net cash provided by financing activities increased by approximately $4.7 million from $4.4 million in the first quarter of 2008 to $9.2 million in the first quarter of 2009, mainly due to the net change in our credit lines. We increased our borrowing at the end of the first quarter of 2009 in order to provide the cash to pay off a $38.3 million mortgage that matured April 1, 2009. We also received proceeds of $19.1 million from equity issuances during the first quarter of 2008, primarily from our continuous equity offering plan, or CEO, which were used to pay down loans. No shares were issued through the CEO during the first quarter of 2009.

The weighted average interest rate at March 31, 2009 for the $1.4 billion of debt outstanding was 4.5%, compared to the weighted average interest rate of 5.1% on $1.3 billion of debt outstanding at March 31, 2008. We utilize both conventional and tax exempt debt to help finance our activities. Borrowings are made through individual property mortgages as well as company-wide secured credit facilities. We utilize fixed rate borrowings, interest rate swaps and interest rate caps to manage our current and future interest rate risk. More details on our borrowings can be found in the schedules presented later in this section.

At March 31, 2009, we had secured credit facility relationships with Prudential Mortgage Capital which are credit enhanced by the Federal National Mortgage Association, or FNMA, Financial Federal which are credit enhanced by Federal Home Loan Mortgage Corporation, or Freddie Mac, and a $50 million bank facility. Together, these credit facilities provided a total line capacity of $1.39 billion and collateralized availability to borrow of $1.38 billion at March 31, 2009. We had total borrowings outstanding under these credit facilities of $1.21 billion at March 31, 2009.

Approximately 68% of our outstanding obligations at March 31, 2009 were borrowed through facilities with/or credit enhanced by FNMA, also referred to as the FNMA Facilities. The FNMA Facilities have a combined line limit of $1.04 billion, all of which was collateralized and available to borrow at March 31, 2009. We had total borrowings outstanding under the FNMA Facilities of approximately $917 million at March 31, 2009. Various traunches of the FNMA Facilities mature from 2011 through 2018. The FNMA Facilities provide for both fixed and variable rate borrowings. The interest rate on the majority of the variable portion is based on the FNMA Discount Mortgage Backed Security, or DMBS, rate which are credit-enhanced by FNMA and are typically sold every 90 days by Prudential Mortgage Capital at interest rates approximating three-month LIBOR less a spread that has averaged 0.16% over the life of the FNMA Facilities, plus a credit enhancement fee of 0.49% to 0.795%. While the DMBS continued to trade below three-month LIBOR during the first quarter of 2009, the spread below three-month LIBOR increased to 0.85% on April 1, 2009. While we feel this recent volatility is an anomaly and believe that this spread will return to more historic levels, we cannot forecast when or if the uncertainty and volatility in the market may change.

Approximately 22% of our outstanding obligations at March 31, 2009 were borrowed through facilities with/or credit enhanced by Freddie Mac, also referred to as the Freddie Mac Facilities. The Freddie Mac Facilities have a combined line limit of $300 million, of which $296 million was collateralized and available to borrow at March 31, 2009. We had total borrowings outstanding under the Freddie Mac Facilities of approximately $296 million at March 31, 2009. The Freddie Mac facilities mature in 2011 and 2014. The interest rate on the Freddie Mac Facilities renews every 30 or 90 days and is based on the Freddie Mac Reference Bill Rate on the date of renewal, which has historically approximated LIBOR, plus a credit enhancement fee of 0.65% to 0.69%. The Freddie Mac Reference Bill rate has traded consistently below LIBOR, and the historical average spread has risen to 0.44% below LIBOR with a spread of 1.01% below LIBOR on April 1, 2009.

Each of our secured credit facilities is subject to various covenants and conditions on usage, and is subject to periodic re-evaluation of collateral. If we were to fail to satisfy a condition to borrowing, the available credit under one or more of the facilities could not be drawn, which could adversely affect our liquidity. In the event of a reduction in real estate values the amount of available credit could be reduced. Moreover, if we were to fail to make a payment or violate a covenant under a credit facility, 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.

The following schedule details the line limits, collateralized availability and the outstanding balances of our various borrowings as of March 31, 2009 (in thousands):

	Line Limit	Amount Collateralized	Amount Borrowed
FNMA Credit Facilities	$ 1,044,429	$ 1,044,429	$ 916,833
Freddie Mac Credit Facilities	300,000	296,404	296,404
Regions Credit Facility	50,000	43,863	-
Regions Term Loan	38,345	38,345	38,345
Other Borrowings	102,664	102,664	102,664
Total Debt	$ 1,535,438	$ 1,525,705	$ 1,354,246

As of March 31, 2009, we had entered into interest rate swaps totaling a notional amount of $883 million. To date, these swaps have proven to be highly effective hedges. We had also entered into interest rate cap agreements totaling a notional amount of approximately $97 million as of March 31, 2009. See Note 8 of the Consolidated Financial Statements.

The following schedule outlines our variable versus fixed rate debt, including the impact of interest rate swaps and caps, outstanding as of March 31, 2009 (in thousands):

	Principal Balance	Average Years to Contract Maturity	Effective Rate
Conventional - Fixed Rate or Swapped (1)	$ 993,139	4.0	5.5%
Tax-free - Fixed Rate or Swapped (1)	37,730	8.0	4.7%
Conventional - Variable Rate (2)	236,331	4.5	1.4%
Tax-free - Variable Rate	4,760	19.2	3.1%
Conventional - Variable Rate - Capped (3)	17,936	3.9	1.4%
Tax-free - Variable Rate - Capped (3)	64,350	2.9	1.4%
Total Debt Outstanding	$ 1,354,246	4.3	4.5%

(1) Maturities on existing swapped balances are calculated using the life of the underlying variable debt.
(2) Includes a $15 million mortgage with an imbedded cap at 7%.
(3) When the capped rates are not reached, the average rate represents the rate on the underlying variable debt.

We only have two scheduled refinancings prior to 2011. One is a $38.3 million mortgage with Regions Bank that matured on April 1, 2009. We replaced the Regions debt with mortgages from Freddie Mac which were put in place in the fourth quarter of 2008 and initially used to reduce the FNMA lines of credit until the end of the first quarter of 2009. The other is the $50 million credit facility with a group of banks led by Regions Bank that matures on May 24, 2010.

The following schedule outlines the contractual maturity dates of our outstanding debt as of March 31, 2009 (in thousands):

	Line Limit Credit Facilities					
	Fannie Mae	Freddie Mac	Regions	Regions Term Loan	Other	Total
2009	$ -	$ -	$ -	$ 38,345	$ -	$ 38,345
2010	-	-	50,000	-	-	50,000
2011	80,000	100,000	-	-	-	180,000

2012	80,000	-	-	-	-	80,000
2013	203,193	-	-	-	-	203,193
2014	321,236	200,000	-	-	18,831	540,067
2015	120,000	-	-	-	53,367	173,367
Thereafter	240,000	-	-	-	30,466	270,466
Total	$ 1,044,429	$ 300,000	$ 50,000	$ 38,345	$ 102,664	$ 1,535,438

The following schedule outlines the interest rate maturities of our outstanding interest rate swap agreements and fixed rate debt as of March 31, 2009 (in thousands):

	Swap Balances			Temporary	Total	
		SIFMA	Fixed Rate	Fixed Rate		Contract
	LIBOR	(formerly BMA)	Balances	Balances (1)	Balance	Rate
2009	$ -	$ -	$ -	$ 65,000	$ 65,000	7.7%
2010	140,000	8,365	-	-	148,365	5.7%
2011	158,000	-	-	-	158,000	5.2%
2012	150,000	17,800	-	-	167,800	5.1%
2013	190,000	-	-	-	190,000	5.2%
2014	144,000	-	18,831	-	162,831	5.7%
2015	75,000	-	38,167	-	113,167	5.6%
Thereafter	-	-	25,706	-	25,706	5.6%
Total	$ 857,000	$ 26,165	$ 82,704	$ 65,000	$ 1,030,869	5.5%

(1) Represents a $65 million fixed rate FNMA borrowing that converts to a variable rate on December 1, 2009.

During the first three months of 2008, Mid-America sold 300,000 shares of common stock through our continuous equity offering program generating net proceeds of approximately $15.5 million. No sales were made through this program during the first three months of 2009.

During the first three months of 2008, Mid-America offered an average 1.5% discount for our Dividend and Distribution Reinvestment and Share Purchase Plan, or DRSPP, and issued approximately 120,000 shares of common stock through the direct stock purchase feature of this plan, generating approximately $5.6 million in proceeds. During the first three months of 2009, we did not offer a discount through our DRSPP. Approximately 400 shares of common stock were issued through the direct stock purchase feature of this plan during the first quarter of 2009, generating approximately $11,000 in proceeds.

We believe that we have adequate resources to fund our current operations, annual refurbishment of our properties, and incremental investment in new apartment properties. We rely on the efficient operation of the financial markets to finance debt maturities, and on FNMA and Freddie Mac, or the Agencies, who have now been placed into conservatorship by the U.S. Government which has pledged $200 billion of preferred equity to each agency. The Agencies provide credit enhancement for approximately $1.2 billion of our outstanding debt as of March 31, 2009. The Federal Housing Finance Agency, or FHFA, is the appointed conservator of the Agencies, and in a press release dated September 12, 2008, stated that “business will continue as usual at the Enterprises during the conservatorship – this applies to both their single family and multifamily businesses. FHFA recognizes the importance of all aspects of the Enterprises’ multifamily businesses … for a healthy secondary market and housing affordability. In particular, support for multifamily housing finance is central to the Enterprises’ public purpose… As conservator, FHFA expects each Enterprise to continue underwriting and financing sound multifamily business."

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

For the quarter ended March 31, 2009, our net cash provided by operating activities was in excess of covering funding improvements to existing real estate assets, distributions to noncontrolling interests, and dividends paid on common and preferred shares by approximately $1.5 million, as compared to $4.7 million for the same period in 2008. While we have sufficient liquidity to permit distributions at current rates through additional borrowings, if necessary, any significant deterioration in operations could result in our financial resources being insufficient to pay distributions to shareholders at the current rate, in which event we would be required to reduce the distribution rate.

The following table reflects our total contractual cash obligations which consist of our long-term debt and operating leases as of March 31, 2009, (dollars in thousands):

Contractual Obligations (1)	2009	2010	2011	2012	2013	Thereafter	
Long-Term Debt (2)	$ 39,732	$ 1,828	$ 178,333	$ 82,036	$ 161,039	$ 891,278	$
Fixed Rate or Swapped Interest (3)	38,404	43,123	35,404	26,403	18,911	29,076	
Operating Lease	12	17	16	9	-	-	
Total	$ 78,148	$ 44,968	$ 213,753	$ 108,448	$ 179,950	$ 920,354	

(1) Fixed rate and swapped interest are shown in this table. The average interest rates of variable rate debt are shown in preceeding tables.
(2) Represents principal payments.
(3) Swapped interest is subject to the ineffective portion of cash flow hedges as described in Note 8 to the financial statements.

Off-Balance Sheet Arrangements

At March 31, 2009 and 2008, we did not have any relationships with unconsolidated entities or financial partnerships established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Mid-America Multifamily Fund I, LLC, was established to acquire $500 million of apartment communities with redevelopment upside offering value creation opportunity through capital improvements, operating enhancements and restructuring in-place financing. As of March 31, 2009, Mid-America Multifamily Fund I, LLC owned two properties but did not expect to acquire any additional communities. In addition, we do not engage in trading activities involving non-exchange traded contracts. As such, we are not materially exposed to any financing, liquidity, market, or credit risk that could arise if we had engaged in such relationships. We do not have any relationships or transactions with persons or entities that derive benefits from their non-independent relationships with us or our related parties other than those disclosed in Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements, Note 14 in our 2008 Annual Report on Form 10-K.

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

Insurance

Mid-America renegotiated our insurance programs effective July 1, 2008. We believe that the property and casualty insurance program in place provides appropriate insurance coverage for financial protection against insurable risks such that any insurable loss experienced would not have a significant impact on our liquidity, financial position or results of operation.

Inflation

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

Impact of Recently Issued Accounting Standards

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 Fair Value Measurements, or Statement 157. Statement 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Statement 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. FASB Staff Position No. FAS 157-2 Effective Date of FASB Statement 157, or FSP 157-2, delays the effective date of Statement 157 for nonfinancial assets and nonfinancial liabilities except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. For these items, the effective date will be for fiscal years beginning after November 15, 2008. We adopted Statement 157 effective January 1, 2008 and FSP 157-2 effective January 1, 2009. The adoptions did not have a material impact on our consolidated financial condition or results of operations taken as a whole.

On December 4, 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (Revised 2007), Business Combinations, or Statement 141R. Statement 141R will significantly change the accounting for business combinations. Under Statement 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. Statement 141R will change the accounting treatment for certain specific items, including acquisition costs which will generally be expensed as incurred. This will have a material impact on the way we account for property acquisitions and therefore will have a material impact on our financial statements. Statement 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We adopted Statement 141R effective January 1, 2009.

On December 4, 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51, or Statement 160. Statement 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. Statement 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. This has impacted our financial statement presentation by requiring the interests in the operating partnership not owned by the company (noncontrolling interests) be presented as a component of equity in the company's consolidated financial statements and income contributable to the noncontrolling interest be a component of net income. Statement 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Notes 1 and 3 to the consolidate financial statements describe the effect of our adopting Statement 160 effective January 1, 2009.

On March 19, 2008, the FASB issued FASB Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities - an Amendment of FASB Statement 133, or Statement 161. Statement 161 enhances required disclosures regarding derivatives and hedging activities, including enhanced disclosures regarding how an entity uses derivative instruments and how derivative instruments and related hedged items are accounted for under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Statement 161 is effective for fiscal years and interim periods beginning after November 15, 2008. We adopted Statement 161 effective January 1, 2009, and the required disclosures are included in Note 8 to the consolidated financial statements.

In June 2008, the FASB issued FSP No. EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities to clarify that unvested share-based awards containing nonforfeitable rights to dividends are participating securities and, therefore, need to be included in the earnings allocation in computing earnings per share, or EPS, under the two-class method described in SFAS No. 128, Earnings Per Share. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior period EPS data presented are to be adjusted retrospectively (including interim financial statements, summaries of earnings, and selected financial data) to conform with the provisions of this FSP. We adopted this FSP effective January 1, 2009 and it had a minor impact on our number of shares which did not change net income available for common shareholders per share.

In September 2008, the FASB ratified EITF Issue No. 08-5, Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement, or EITF 08-5. EITF 08-5 requires that the measurement of liabilities with inseparable, third-party credit enhancements carried at or disclosed at fair value on a recurring basis exclude the effect of the credit enhancement. EITF 08-5 is effective on a prospective basis in the first reporting period beginning on or after December 15, 2008. We adopted EITF 08-5 effective January 1, 2009. This EITF will remove the agency credit enhancements from our calculation of the fair market value of our derivative instruments and will materially increase the value represented in the balance sheet. The impact of this EITF on our Q1 2009 financial position is approximately a $2.0 million increase to the fair market value of our derivative instruments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

There have been no material changes in Mid-America's market risk as disclosed in the 2008 Annual Report on Form 10-K except for the changes as discussed under Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations under the "Liquidity and Capital Resources" section, which is incorporated by reference herein.

Item 4. Controls and Procedures.

Management’s Evaluation of Disclosure Controls and Procedures

The management of Mid-America, under the supervision and with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in our filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, including ensuring that such information is accumulated and communicated to Mid-America management as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of March 31, 2009, (the end of the period covered by this Quarterly Report on Form 10-Q).

Changes in Internal Controls

During the three months ended March 31, 2009, there were no changes in Mid-America’s internal control over financial reporting that materially affected, or that are reasonably likely to materially affect, Mid-America’s internal control over financial reporting.

Item 4T. Controls and Procedures.

Not applicable

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.
None.

Item 1A. Risk Factors.

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

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

Our ability to generate sufficient cash flow in order to pay 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 our apartment communities may be insufficient because of factors which are beyond our control. Such events or conditions could include:

- competition from other apartment communities;
- overbuilding of new apartment units or oversupply of available apartment units in our markets, which might adversely affect apartment occupancy or rental rates and/or require rent concessions in order to lease apartment units;
- conversion of condominiums and single family houses to rental use;
- job losses resulting from further declines in economic activity;

- 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;
- withdrawal of Government support of apartment financing through its financial backing of FNMA or Freddie Mac;
- an uninsured loss, resulting from a catastrophic storm or act of terrorism;
- changes in interest rate levels and the availability of financing, borrower credit standards, and down-payment requirements which could lead renters to purchase homes (if interest rates decrease and home loans are more readily available) or increase our acquisition and operating costs (if interest rates increase and financing is less readily available);
- 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, we rely on external funding sources to fully fund the payment of distributions to shareholders and our capital investment program (including our existing property expansion developments). While we have sufficient liquidity to permit distributions at current rates through additional borrowings if necessary, any significant and sustained deterioration in operations could result in our financial resources being insufficient to pay distributions to shareholders at the current rate, in which event we would be required to reduce the distribution rate. Any decline in our funds from operations could adversely affect our ability to make distributions to our shareholders or to meet our loan covenants and could have a material adverse effect on our stock price.

Our financing could be impacted by negative capital market conditions.

Recently, domestic financial markets have experienced unusual volatility and uncertainty. Liquidity has tightened in financial markets, including the investment grade debt, the CMBS, commercial paper, and equity capital markets. A large majority of apartment financing, and as of March 31, 2009, 90% of our outstanding debt, is provided by or credit-enhanced by FNMA and Freddie Mac, which are now under the conservatorship of the U.S. Government. We have seen an increase in the volatility of short term interest rates and changes in historic relationships between LIBOR (which is the basis for the payments to us by our swap counterparties) and the actual interest rate we pay through the Fannie Mae Discount Mortgage Backed Security, or DMBS, and the Freddie Mac Reference Bill programs, which we believe to be temporary. This creates a risk that our interest expense will fluctuate to a greater extent than it has in the past, and it makes forecasting more difficult. Were our credit arrangements with Prudential Mortgage Capital, credit-enhanced by FNMA, or with Financial Federal, credit-enhanced by Freddie Mac, to fail, or their ability to lend money to finance apartment communities to become impaired, we would have to seek alternative sources of capital, which might not be available on terms acceptable to us, if at all. In addition, any such event would most likely cause our interest costs to rise. This could also cause our swaps to become ineffective, triggering a default in one or more of our credit agreements. If any of the foregoing events were to occur it could have a material adverse affect on our business, financial condition and prospects.

Our credit facilities with FNMA and Freddie Mac expire 2011 – 2018, and we anticipate that replacement facilities will be at a higher cost and have less attractive terms.

A change in U.S. government policy with regard to FNMA and Freddie Mac could seriously impact our financial condition.

The U. S. government has committed $200 billion of preferred equity each to FNMA and Freddie Mac, and placed them in conservatorship through the end of 2009. The Treasury Department has recently increased FNMA and Freddie Mac’s portfolio limitation to $900 billion, which at present is required to be reduced on a phased basis beginning in 2010. Through expansion of their off-balance sheet lending products (which form the large majority of our borrowing), we believe that FNMA and Freddie Mac balance sheet limitations will not restrict their support of lending to the multifamily industry and to us in particular. Statements supporting their involvement in apartment lending by the heads of multifamily lending of FNMA, Freddie Mac, and their regulator have recently been reiterated. Should this support change, it would have a material adverse affect on both us and the multifamily industry, and we would seek alternative sources of funding. This could jeopardize the effectiveness of our interest rate swaps, require us to post collateral up to the value of the interest rate swaps, and either of these could potentially cause a breach in one or more of our loan covenants, and through reduced loan availability, impact the value of multifamily assets, which could impair the value of our properties.

A change in the value of our assets could cause us to experience a cash shortfall and be in default of our loan covenants.

Mid-America borrows on a secured basis from FNMA, Freddie Mac, and Regions Bank. A significant reduction in value could require us to post additional collateral. While we believe that we have significant excess collateral and capacity, future asset values are uncertain. If we were unable to meet a request to add collateral to a credit facility, this would have a material adverse affect on our liquidity and our ability to meet our loan covenants.

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

At March 31, 2009, we had total debt outstanding of $1.4 billion. Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate the apartment communities or pay distributions that are required to be paid in order for us to maintain our qualification as a REIT. We currently intend to limit our total debt to approximately 60% of the undepreciated book value of our assets, although our charter and bylaws do not limit our debt levels. Circumstances may cause us to exceed that target from time-to-time. As of March 31, 2009, our ratio of debt to undepreciated book value was approximately 51%. Our Board of Directors can modify this policy at any time which could allow us to become more highly leveraged and decrease our ability to make distributions to our shareholders. In addition, we must repay our debt upon maturity, and the inability to access debt or equity capital at attractive rates could adversely affect our financial condition and/or our funds from operations. We rely on FNMA and Freddie Mac, which we refer to as the Agencies, for the majority of our debt financing and have agreements with the Agencies and with other lenders that require us to comply with certain covenants, including maintaining adequate collateral that is subject to revaluation quarterly. The breach of any one of these covenants would place us in default with our lenders and may have serious consequences on our operations.

Interest rate hedging may be ineffective.

We rely on the financial markets to refinance debt maturities, and also are heavily reliant on the Agencies, which provide credit or credit enhancement for approximately $1.2 billion of our outstanding debt as of March 31, 2009. The debt is provided under the terms of credit facilities with Prudential Mortgage Capital (credit-enhanced by FNMA) and Financial Federal (credit-enhanced by Freddie Mac). We pay fees to the credit facility providers and the Agencies plus interest which is based on the FNMA DMBS rate, and the Freddie Mac Reference Bill Rate. The Agencies have been placed into conservatorship by the U.S. Government (under the supervision of the Federal Housing Finance Agency), which has committed $200 billion of capital to each, if needed.

The interest rate market for the FNMA DMBS rate and the Freddie Mac Reference Bill Rate, both of which have been highly correlated with LIBOR interest rates, are also an important component of our liquidity and interest rate swap effectiveness. In our experience, the FNMA DMBS rate has averaged 7 basis points below LIBOR, and the Freddie Mac Reference Bill rate has averaged 20 basis points below LIBOR, but in the past eighteen months the spreads have increased significantly and have been more volatile than we have historically seen. We believe that the current market illiquidity is an anomaly and that the spreads and the volatility will return to more stable historic trends, but we cannot forecast when or if the uncertainty and volatility in the market may change. Continued unusual volatility over a period of time could cause us to loose hedge accounting treatment for our interest rate swaps, resulting in material changes to our consolidated statements of operations and balance sheet, and potentially cause a breach with one of our debt covenants.

The difference in interest rates between the DMBS and Reference Bill rates and three-month LIBOR, which is a component of the ineffectiveness of the LIBOR-based swaps, flows through interest expense in the current period, and together with the recognized ineffectiveness (which is also an adjustment to current period interest expense), reduces the effectiveness of the swaps.

We also rely on the credit of the counterparties that provide swaps to hedge the interest rate risk on our credit facilities. We use three major banks to provide nearly 80% of our swaps, JP Morgan Chase, Royal Bank of Canada, and Deutsche Bank, all of which have high investment grade ratings from Moody’s and S&P. In the event that one of our swap providers should suffer a significant downgrade of its credit rating or fail, our swaps may become ineffective, in which case the value of the swap would be adjusted to value in the current period, possibly causing a substantial loss sufficient to cause a breach with one of our debt covenants.

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

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

Variable interest rates may adversely affect funds from operations.

At March 31, 2009, effectively $226 million of our debt bore interest at a variable rate and was not hedged by interest rate swaps or caps. We may incur additional debt in the future that also bears interest at variable rates. Variable rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect our funds from operations and the amount of cash available to pay distributions to shareholders. Our $1.0 billion secured credit facilities with Prudential Mortgage Capital, credit enhanced by FNMA, are predominately floating rate facilities. We also have credit facilities with Freddie Mac totaling $300 million which are variable rate facilities. At March 31, 2009, a total of $1.2 billion was outstanding under these facilities. These facilities represent the majority of the variable interest rates we were exposed to at March 31, 2009. Large portions of the interest rates on these facilities have been hedged by means of a number of interest rate swaps and caps. Upon the termination of these swaps and caps, we will be exposed to the risks of varying interest rates.

Losses from catastrophes may exceed our insurance coverage.

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

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

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

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

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

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

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

We are dependent on key personnel.

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

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

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

We may not be able to sell communities when appropriate.

Real estate investments are relatively illiquid and generally cannot be sold quickly. We may not be able to change our portfolio promptly in response to economic or other conditions. Further, we own seven communities (of 144 total) which are subject to restrictions on sale, and are required to be exchanged through a 1031b tax-free exchange, unless we pay the tax liability of the contributing partners. This inability to respond promptly to changes in the performance of our investments could adversely affect our financial condition and ability to make distributions to our security holders.

Environmental problems are possible and can be costly.

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

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

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:

1. the price you paid for the shares; or
2. the average of the last reported sales prices on the New York Stock Exchange on the ten trading days immediately preceding the date fixed for redemption by our Board of Directors.

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

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

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

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

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

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 us to be taxed as a corporation.

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

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

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

Failure to make required distributions would subject us to income taxation.

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

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

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

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

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

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None

Item 5. Other Information.

None.

Item 6. Exhibits.

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

Exhibit Number	Exhibit Description
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Signatures

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

MID-AMERICA APARTMENT COMMUNITIES, INC.

Date: May 7, 2009

/s/Simon R.C. Wadsworth
Simon R.C. Wadsworth
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)