

MID AMERICA APARTMENT COMMUNITIES INC
Form 10-Q
July 27, 2017

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

FORM 10-Q

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

For the quarterly period ended June 30, 2017
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 001-12762 (Mid-America Apartment Communities, Inc.)

Commission File Number 333-190028-01 (Mid-America Apartments, L.P.)

MID-AMERICA APARTMENT COMMUNITIES, INC.

MID-AMERICA APARTMENTS, L.P.

(Exact name of registrant as specified in its charter)

Tennessee (Mid-America Apartment Communities, Inc.) 62-1543819

Tennessee (Mid-America Apartments, L.P.) 62-1543816

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

6584 Poplar Avenue, Memphis, Tennessee, 38138

(Address of principal executive offices) (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.

Mid-America Apartment Communities, Inc. YES ☒ NO ☐

Mid-America Apartments, L.P. 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

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required to submit and post such files).

Mid-America Apartment Communities, Inc. YES ☒ NO ☐

Mid-America Apartments, L.P. YES ☒ NO ☐

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

Mid-America Apartment
Communities, Inc.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐
(Do not check if a smaller reporting									

company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Mid-America Apartments, L.P.

Large accelerated filer	☐	Accelerated filer	☐	Non-accelerated filer	☒	Smaller reporting company	☐	Emerging growth company	☐
(Do not check if a smaller reporting company)									

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell
company (as defined in Rule 12b-2 of the Exchange Act).

Mid-America Apartment Communities, Inc. YES ☐ NO ☒

Mid-America Apartments, L.P. YES ☐ NO ☒

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

	Number of Shares Outstanding at
Class	July 24, 2017
Common Stock, \$0.01 par value	113,607,733

MID-AMERICA APARTMENT COMMUNITIES, INC.
MID-AMERICA APARTMENTS, L.P.

TABLE OF CONTENTS

	Page
PART I – FINANCIAL INFORMATION	
Item 1.	Financial Statements.
Mid-America Apartment Communities, Inc.	
	Condensed Consolidated Balance Sheets as of June 30, 2017 (Unaudited) and December 31, 2016 (Unaudited). <u>4</u>
	Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2017 (Unaudited) and 2016 (Unaudited). <u>5</u>
	Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2017 (Unaudited) and 2016 (Unaudited). <u>6</u>
	Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 (Unaudited) and 2016 (Unaudited). <u>7</u>
Mid-America Apartments, L.P.	
	Condensed Consolidated Balance Sheets as of June 30, 2017 (Unaudited) and December 31, 2016 (Unaudited). <u>8</u>
	Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2017 (Unaudited) and 2016 (Unaudited). <u>9</u>
	Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2017 (Unaudited) and 2016 (Unaudited). <u>10</u>
	Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 (Unaudited) and 2016 (Unaudited). <u>11</u>
	Notes to Condensed Consolidated Financial Statements (Unaudited). <u>12</u>
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations. <u>33</u>
Item 3.	Quantitative and Qualitative Disclosures About Market Risk. <u>46</u>
Item 4.	Controls and Procedures. <u>47</u>
PART II – OTHER INFORMATION	
Item 1.	Legal Proceedings. <u>48</u>
Item 1A.	Risk Factors. <u>48</u>
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds. <u>48</u>
Item 3.	Defaults Upon Senior Securities. <u>48</u>
Item 4.	Mine Safety Disclosures. <u>48</u>
Item 5.	Other Information. <u>48</u>
Item 6.	Exhibits. <u>49</u>
	Signatures. <u>50</u>
	Exhibit Index. <u>52</u>

Explanatory Note

This periodic report on Form 10-Q, or this Report, combines the quarterly reports for the quarter ended June 30, 2017 of Mid-America Apartment Communities, Inc., a Tennessee corporation, and Mid-America Apartments, L.P., a Tennessee limited partnership, of which Mid-America Apartment Communities, Inc. is its sole general partner. Mid-America Apartment Communities, Inc. and its 96.4% owned subsidiary, Mid-America Apartments, L.P., are both required to file periodic reports under the Securities Exchange Act of 1934, as amended.

Unless the context otherwise requires, all references in this Report to "MAA" refer only to Mid-America Apartment Communities, Inc., and not to any of its consolidated subsidiaries. Unless the context otherwise requires, all references in this Report to "we," "us," "our," or the "Company" refer collectively to Mid-America Apartment Communities, Inc., together with its consolidated subsidiaries, including Mid-America Apartments, L.P. Unless the context otherwise requires, all references in this Report to the "Operating Partnership" or "MAALP" refer to Mid-America Apartments, L.P. together with its consolidated subsidiaries. "Common stock" refers to the common stock of MAA and "shareholders" means the holders of shares of MAA's common stock. The common units of limited partnership interest in the Operating Partnership are referred to as "OP Units" and the holders of the OP Units are referred to as "common unitholders".

As of June 30, 2017, MAA owned 113,607,734 OP Units (or 96.4% of the total number of OP Units). MAA conducts substantially all of its business and holds substantially all of its assets through the Operating Partnership, and by virtue of its ownership of the OP Units and being the Operating Partnership's sole general partner, MAA has the ability to control all of the day-to-day operations of the Operating Partnership.

We believe combining the periodic reports of MAA and the Operating Partnership, including the notes to the condensed consolidated financial statements, into this Report results in the following benefits:

- enhances investors' understanding of MAA and the Operating Partnership by enabling investors to view the business as a whole in the same manner that management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure in this Report applies to both MAA and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

Management operates MAA and the Operating Partnership as one business. The management of the Company is comprised of individuals who are officers of MAA and employees of the Operating Partnership. We believe it is important to understand the few differences between MAA and the Operating Partnership in the context of how MAA and the Operating Partnership operate as a consolidated company. MAA and the Operating Partnership are structured as an "umbrella partnership REIT," or UPREIT. MAA's interest in the Operating Partnership entitles MAA to share in cash distributions from, and in the profits and losses of, the Operating Partnership in proportion to MAA's percentage interest therein and entitles MAA to vote on substantially all matters requiring a vote of the partners. MAA's only material asset is its ownership of limited partnership interests in the Operating Partnership; therefore, MAA does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing public equity from time-to-time and guaranteeing certain debt of the Operating Partnership. The Operating Partnership holds, directly or indirectly, all of our real estate assets. Except for net proceeds from public equity issuances by MAA, which are contributed to the Operating Partnership in exchange for limited partnership interests, the Operating Partnership generates the capital required by the Company's business through the Operating Partnership's operations, direct or indirect incurrence of indebtedness and issuance of partnership units.

The presentation of MAA's shareholders' equity and the Operating Partnership's capital is the principal area of difference between the consolidated financial statements of MAA and those of the Operating Partnership. MAA's

shareholders' equity may include shares of preferred stock, shares of common stock, additional paid-in capital, cumulative earnings, cumulative distributions, noncontrolling interests, preferred units, treasury shares, accumulated other comprehensive income and redeemable common units. The Operating Partnership's capital may include common capital and preferred capital of the general partner (MAA), limited partners' common capital and preferred capital, limited partners' noncontrolling interests, accumulated other comprehensive income and redeemable common units. Redeemable common units represent the number of outstanding limited partnership units as of the date of the applicable balance sheet, valued at the greater of the closing market price of MAA's common stock or the aggregate value of the individual partners' capital balances. Holders of OP Units (other than MAA and its entity affiliates) may require us to redeem their OP Units, from time to time, in which case we may, at our option, pay the redemption price either in cash (in an amount per OP Unit equal, in general, to the average closing price of MAA's common stock on the New York Stock Exchange over a specified period prior to the redemption date) or by delivering one share of MAA's common stock (subject to adjustment under specified circumstances) for each OP Unit so redeemed.

In order to highlight the material differences between MAA and the Operating Partnership, this Report includes sections that separately present and discuss areas that are materially different between MAA and the Operating Partnership, including:

the Condensed Consolidated Financial Statements in Item 1 of this Report;
certain accompanying notes to the Condensed Consolidated Financial Statements, including Note 3 - Earnings per Common Share of MAA and Note 4 - Earnings per OP Unit of MAALP; Note 5 - MAA Equity and Note 6 - MAALP Capital; and Note 10 - Shareholders' Equity of MAA and Note 11 - Partners' Capital of MAALP; and
the certifications of the Chief Executive Officer and Chief Financial Officer of MAA included as Exhibits 31 and 32 to this Report.

In the sections that combine disclosure for MAA and the Operating Partnership, this Report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership (directly or indirectly through one of its subsidiaries) is generally the entity that enters into contracts, holds assets and issues debt, management believes this presentation is appropriate for the reasons set forth above and because the business is one enterprise, and we operate the business through the Operating Partnership.

Mid-America Apartment Communities, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)
(Dollars in thousands, except share data)

	June 30, 2017	December 31, 2016
Assets:		
Real estate assets:		
Land	\$1,821,016	\$1,816,008
Buildings and improvements	10,641,003	10,523,762
Furniture, fixtures and equipment	323,155	298,204
Development and capital improvements in progress	258,047	231,224
	13,043,221	12,869,198
Less accumulated depreciation	(1,851,913)	(1,656,071)
	11,191,308	11,213,127
Undeveloped land	64,790	71,464
Corporate properties, net	12,072	12,778
Investments in real estate joint ventures	44,839	44,493
Assets held for sale	31,366	—
Real estate assets, net	11,344,375	11,341,862
Cash and cash equivalents	39,659	33,536
Restricted cash	27,859	88,264
Deferred financing costs, net	4,292	5,065
Other assets	116,705	134,525
Goodwill	1,239	1,239
Total assets	\$11,534,129	\$11,604,491
Liabilities and equity:		
Liabilities:		
Unsecured notes payable	\$3,443,056	\$3,180,624
Secured notes payable	1,129,996	1,319,088
Accounts payable	13,932	11,970
Fair market value of interest rate swaps	3,626	7,562
Accrued expenses and other liabilities	381,232	414,244
Security deposits	19,637	18,829
Total liabilities	4,991,479	4,952,317
Redeemable common stock	10,408	10,073
Shareholders' equity:		
Preferred stock, \$0.01 par value per share, 20,000,000 shares authorized; 8.50% Series I Cumulative Redeemable Shares, liquidation preference \$50 per share, 867,846 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	9	9
Common stock, \$0.01 par value per share, 145,000,000 shares authorized; 113,607,734 and 113,518,212 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively ⁽¹⁾	1,134	1,133

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Additional paid-in capital	7,114,079	7,109,012
Accumulated distributions in excess of net income	(817,616)	(707,479)
Accumulated other comprehensive income	735	1,144
Total MAA shareholders' equity	6,298,341	6,403,819
Noncontrolling interests - operating partnership units	231,595	235,976
Total Company's shareholders' equity	6,529,936	6,639,795
Noncontrolling interests - consolidated real estate entity	2,306	2,306
Total equity	6,532,242	6,642,101
Total liabilities and equity	\$ 11,534,129	\$ 11,604,491

(1) Number of shares issued and outstanding represents total shares of common stock regardless of classification on the condensed consolidated balance sheets. The number of shares classified as redeemable stock on the condensed consolidated balance sheets at June 30, 2017 and December 31, 2016 are 98,771 and 103,578, respectively.

See accompanying notes to condensed consolidated financial statements.

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Mid-America Apartment Communities, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)
(Dollars in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Operating revenues:				
Rental revenues	\$355,832	\$249,326	\$707,009	\$494,991
Other property revenues	26,959	22,910	54,690	46,261
Total operating revenues	382,791	272,236	761,699	541,252
Property operating expenses:				
Personnel	34,642	25,858	68,015	51,055
Building repairs and maintenance	11,811	7,680	21,624	13,779
Real estate taxes and insurance	54,163	34,729	108,136	69,900
Utilities	27,527	22,244	54,424	44,380
Landscaping	7,045	5,673	13,567	10,994
Other operating	10,781	6,771	21,476	13,728
Depreciation and amortization	126,360	75,742	256,357	150,870
Total property operating expenses	272,329	178,697	543,599	354,706
Acquisition expenses	—	421	—	1,134
Property management expenses	10,745	8,310	21,726	17,313
General and administrative expenses	9,534	7,014	22,374	13,596
Merger related expenses	978	—	3,849	—
Integration related expenses	3,229	—	6,519	—
Income from continuing operations before non-operating items	85,976	77,794	163,632	154,503
Interest and other non-property income	650	62	3,329	94
Interest expense	(38,481)	(32,039)	(75,065)	(64,250)
Gain on debt extinguishment	2,217	—	2,340	3
Net casualty (loss) gain after insurance and other settlement proceeds	(240)	1,760	(331)	813
Gain on sale of depreciable real estate assets	274	68	201	823
Gain on sale of non-depreciable real estate assets	48	543	48	2,170
Income before income tax expense	50,444	48,188	94,154	94,156
Income tax expense	(618)	(457)	(1,269)	(745)
Income from continuing operations before joint venture activity	49,826	47,731	92,885	93,411
Gain (loss) from real estate joint ventures	329	(101)	686	27
Net income	50,155	47,630	93,571	93,438
Net income attributable to noncontrolling interests	1,840	2,486	3,351	4,881
Net income available for shareholders	48,315	45,144	90,220	88,557
Dividends to MAA Series I preferred shareholders	922	—	1,844	—
Net income available for MAA common shareholders	\$47,393	\$45,144	\$88,376	\$88,557
Earnings per common share - basic:				
Net income available for common shareholders	\$0.42	\$0.60	\$0.78	\$1.17
Earnings per common share - diluted:				
Net income available for common shareholders	\$0.42	\$0.60	\$0.78	\$1.17
Dividends declared per common share	\$0.87	\$0.82	\$1.74	\$1.64

See accompanying notes to condensed consolidated financial statements.

5

Mid-America Apartment Communities, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(Dollars in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net income	\$50,155	\$47,630	\$93,571	\$93,438
Other comprehensive income:				
Unrealized loss from the effective portion of derivative instruments	(3,863)	(1,314)	(1,343)	(5,019)
Reclassification adjustment for net losses included in net income for the effective portion of derivative instruments	246	1,131	918	2,317
Total comprehensive income	46,538	47,447	93,146	90,736
Less: comprehensive income attributable to noncontrolling interests	(1,711)	(2,477)	(3,335)	(4,740)
Comprehensive income attributable to MAA	\$44,827	\$44,970	\$89,811	\$85,996

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartment Communities, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in thousands)

	Six months ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$93,571	\$93,438
Adjustments to reconcile net income to net cash provided by operating activities:		
Retail revenue accretion	(196)	(110)
Depreciation and amortization	256,872	151,114
Stock compensation expense	5,618	3,958
Redeemable stock expense	330	282
Amortization of debt premium and debt issuance costs	(6,023)	(5,096)
Gain from investments in real estate joint ventures	(686)	(27)
Gain on debt extinguishment	(3,921)	—
Derivative interest credit	(4,064)	(1,295)
Settlement of forward swaps	(1,547)	—
Gain on sale of non-depreciable real estate assets	(48)	(2,170)
Gain on sale of depreciable real estate assets	(201)	(823)
Net casualty loss (gain) and other settlement proceeds	331	(813)
Changes in assets and liabilities:		
Restricted cash	2,146	951
Other assets	(6,077)	4,130
Accounts payable	2,008	1,542
Accrued expenses and other	(17,131)	(7,567)
Security deposits	806	702
Net cash provided by operating activities	321,788	238,216
Cash flows from investing activities:		
Purchases of real estate and other assets	(62,817)	(130,597)
Normal capital improvements	(50,890)	(44,417)
Construction capital and other improvements	(5,453)	(3,288)
Renovations to existing real estate assets	(20,309)	(17,719)
Development	(109,720)	(29,156)
Distributions from real estate joint ventures	—	1,793
Proceeds from disposition of real estate assets	1,551	38,001
Return of escrow for future acquisitions	58,259	—
Net cash used in investing activities	(189,379)	(185,383)
Cash flows from financing activities:		
Net change in credit lines	(330,000)	105,000
Proceeds from notes payable	597,480	—
Principal payments on notes payable	(178,164)	(37,261)
Payment of deferred financing costs	(5,257)	(141)
Repurchase of common stock	(4,782)	(1,742)
Proceeds from issuances of common shares	783	628
Exercise of stock options	432	—
Distributions to noncontrolling interests	(7,332)	(6,823)

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Dividends paid on common shares	(197,602)	(123,774)
Dividends paid on preferred shares	(1,844)	—
Net cash used in financing activities	(126,286)	(64,113)
Net increase (decrease) in cash and cash equivalents	6,123	(11,280)
Cash and cash equivalents, beginning of period	33,536	37,559
Cash and cash equivalents, end of period	\$39,659	\$26,279

Supplemental disclosure of cash flow information:

Interest paid	\$79,981	\$71,092
Income taxes paid	\$2,226	\$1,544

Supplemental disclosure of noncash investing and financing activities:

Conversion of OP Units to shares of common stock	\$265	\$158
Accrued construction in progress	\$19,360	\$10,781
Interest capitalized	\$4,227	\$708
Mark-to-market adjustment on derivative instruments	\$6,757	\$(1,407)

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartments, L.P.
Condensed Consolidated Balance Sheets
(Unaudited)
(Dollars in thousands, except unit data)

	June 30, 2017	December 31, 2016
Assets:		
Real estate assets:		
Land	\$1,821,016	\$1,816,008
Buildings and improvements	10,641,003	10,523,762
Furniture, fixtures and equipment	323,155	298,204
Development and capital improvements in progress	258,047	231,224
	13,043,221	12,869,198
Less accumulated depreciation	(1,851,913)	(1,656,071)
	11,191,308	11,213,127
Undeveloped land	64,790	71,464
Corporate properties, net	12,072	12,778
Investments in real estate joint ventures	44,839	44,493
Assets held for sale	31,366	—
Real estate assets, net	11,344,375	11,341,862
Cash and cash equivalents	39,659	33,536
Restricted cash	27,859	88,264
Deferred financing costs, net	4,292	5,065
Other assets	116,705	134,525
Goodwill	1,239	1,239
Total assets	\$11,534,129	\$11,604,491
Liabilities and Capital:		
Liabilities:		
Unsecured notes payable	\$3,443,056	\$3,180,624
Secured notes payable	1,129,996	1,319,088
Accounts payable	13,932	11,970
Fair market value of interest rate swaps	3,626	7,562
Accrued expenses and other liabilities	381,232	414,244
Security deposits	19,637	18,829
Due to general partner	19	19
Total liabilities	4,991,498	4,952,336
Redeemable common units	10,408	10,073
Operating Partnership Capital:		
Preferred Units: 867,846 Preferred Units outstanding at June 30, 2017 and at December 31, 2016	66,840	64,833
Common Units:		
General partner: 113,607,734 OP Units outstanding at June 30, 2017 and 113,518,212 OP Units outstanding at December 31, 2016 ⁽¹⁾	6,230,661	6,337,721

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Limited partners: 4,215,678 OP Units outstanding at June 30, 2017 and 4,220,403 OP Units outstanding at December 31, 2016 ⁽¹⁾	231,595	235,976
Accumulated other comprehensive income	821	1,246
Total operating partners' capital	6,529,917	6,639,776
Noncontrolling interests - consolidated real estate entity	2,306	2,306
Total capital	6,532,223	6,642,082
Total liabilities and capital	\$11,534,129	\$11,604,491

Number of units outstanding represents total OP Units regardless of classification on the condensed consolidated balance sheets. The number of OP Units classified as redeemable units on the condensed consolidated balance sheets at June 30, 2017 and December 31, 2016 are 98,771 and 103,578, respectively.
See accompanying notes to condensed consolidated financial statements.

Mid-America Apartments, L.P.
Condensed Consolidated Statements of Operations
(Unaudited)
(Dollars in thousands, except per unit data)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Operating revenues:				
Rental revenues	\$355,832	\$249,326	\$707,009	\$494,991
Other property revenues	26,959	22,910	54,690	46,261
Total operating revenues	382,791	272,236	761,699	541,252
Property operating expenses:				
Personnel	34,642	25,858	68,015	51,055
Building repairs and maintenance	11,811	7,680	21,624	13,779
Real estate taxes and insurance	54,163	34,729	108,136	69,900
Utilities	27,527	22,244	54,424	44,380
Landscaping	7,045	5,673	13,567	10,994
Other operating	10,781	6,771	21,476	13,728
Depreciation and amortization	126,360	75,742	256,357	150,870
Total property operating expenses	272,329	178,697	543,599	354,706
Acquisition expenses	—	421	—	1,134
Property management expenses	10,745	8,310	21,726	17,313
General and administrative expenses	9,534	7,014	22,374	13,596
Merger related expenses	978	—	3,849	—
Integration related expenses	3,229	—	6,519	—
Income from continuing operations before non-operating items	85,976	77,794	163,632	154,503
Interest and other non-property income	650	62	3,329	94
Interest expense	(38,481)	(32,039)	(75,065)	(64,250)
Gain on debt extinguishment	2,217	—	2,340	3
Net casualty (loss) gain after insurance and other settlement proceeds	(240)	1,760	(331)	813
Gain on sale of depreciable real estate assets	274	68	201	823
Gain on sale of non-depreciable real estate assets	48	543	48	2,170
Income before income tax expense	50,444	48,188	94,154	94,156
Income tax expense	(618)	(457)	(1,269)	(745)
Income from continuing operations before joint venture activity	49,826	47,731	92,885	93,411
Gain (loss) from real estate joint ventures	329	(101)	686	27
Net income	50,155	47,630	93,571	93,438
Dividends to preferred unitholders	922	—	1,844	—
Net income available for Mid-America Apartments, L.P. common unitholders	\$49,233	\$47,630	\$91,727	\$93,438
Earnings per common unit - basic:				
Net income available for common unitholders	\$0.42	\$0.60	\$0.78	\$1.17
Earnings per common unit - diluted:				
Net income available for common unitholders	\$0.42	\$0.60	\$0.78	\$1.17
Distributions declared per common unit	\$0.87	\$0.82	\$1.74	\$1.64

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartments, L.P.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(Dollars in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net income	\$50,155	\$47,630	\$93,571	\$93,438
Other comprehensive income:				
Unrealized loss from the effective portion of derivative instruments	(3,863)	(1,314)	(1,343)	(5,019)
Reclassification adjustment for net losses included in net income for the effective portion of derivative instruments	246	1,131	918	2,317
Comprehensive income attributable to Mid-America Apartments, L.P.	\$46,538	\$47,447	\$93,146	\$90,736

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartments, L.P.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in thousands)

	Six months ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$93,571	\$93,438
Adjustments to reconcile net income to net cash provided by operating activities:		
Retail revenue accretion	(196)	(110)
Depreciation and amortization	256,872	151,114
Stock compensation expense	5,618	3,958
Redeemable units expense	330	282
Amortization of debt premium and debt issuance costs	(6,023)	(5,096)
Gain from investments in real estate joint ventures	(686)	(27)
Gain on debt extinguishment	(3,921)	—
Derivative interest credit	(4,064)	(1,295)
Settlement of forward swaps	(1,547)	—
Gain on sale of non-depreciable real estate assets	(48)	(2,170)
Gain on sale of depreciable real estate assets	(201)	(823)
Net casualty loss (gain) and other settlement proceeds	331	(813)
Changes in assets and liabilities:		
Restricted cash	2,146	951
Other assets	(6,077)	4,130
Accounts payable	2,008	1,542
Accrued expenses and other	(17,131)	(7,567)
Security deposits	806	702
Net cash provided by operating activities	321,788	238,216
Cash flows from investing activities:		
Purchases of real estate and other assets	(62,817)	(130,597)
Normal capital improvements	(50,890)	(44,417)
Construction capital and other improvements	(5,453)	(3,288)
Renovations to existing real estate assets	(20,309)	(17,719)
Development	(109,720)	(29,156)
Distributions from real estate joint ventures	—	1,793
Proceeds from disposition of real estate assets	1,551	38,001
Return of escrow for future acquisitions	58,259	—
Net cash used in investing activities	(189,379)	(185,383)
Cash flows from financing activities:		
Net change in credit lines	(330,000)	105,000
Proceeds from notes payable	597,480	—
Principal payments on notes payable	(178,164)	(37,261)
Payment of deferred financing costs	(5,257)	(141)
Repurchase of common units	(4,782)	(1,742)
Distributions paid on preferred units	(1,844)	—
Proceeds from issuances of common units	783	628
Exercise of unit options	432	—
Distributions paid on common units	(204,934)	(130,597)

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Net cash used in financing activities	(126,286)	(64,113)
Net increase (decrease) in cash and cash equivalents	6,123	(11,280)
Cash and cash equivalents, beginning of period	33,536	37,559
Cash and cash equivalents, end of period	\$39,659	\$26,279

Supplemental disclosure of cash flow information:

Interest paid	\$79,981	\$71,092
Income taxes paid	\$2,226	\$1,544
Supplemental disclosure of noncash investing and financing activities:		
Accrued construction in progress	\$19,360	\$10,781
Interest capitalized	\$4,227	\$708
Mark-to-market adjustment on derivative instruments	\$6,757	\$(1,407)

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartment Communities, Inc. and Mid-America Apartments, L.P.
Notes to Condensed Consolidated Financial Statements
June 30, 2017 and 2016
(Unaudited)

1. Basis of Presentation and Principles of Consolidation and Significant Accounting Policies

Unless the context otherwise requires, all references to "we," "us," "our," or the "Company" refer collectively to Mid-America Apartment Communities, Inc., together with its consolidated subsidiaries, including Mid-America Apartments, L.P. Unless the context otherwise requires, all references to "MAA" refer only to Mid-America Apartment Communities, Inc. and not any of its consolidated subsidiaries. Unless the context otherwise requires, all references to the "Operating Partnership" or "MAALP" refer to Mid-America Apartments, L.P. together with its consolidated subsidiaries. "Common stock" refers to the common stock of MAA and "shareholders" means the holders of shares of MAA's common stock. The common units of limited partnership interests in the Operating Partnership are referred to as "OP Units," and the holders of the OP Units are referred to as "common unitholders".

As of June 30, 2017, MAA owned 113,607,734 OP Units (or 96.4% of the total number of OP Units). MAA conducts substantially all of its business and holds substantially all of its assets through the Operating Partnership, and by virtue of its ownership of the OP Units and being the Operating Partnership's sole general partner, MAA has the ability to control all of the day-to-day operations of the Operating Partnership.

We believe combining the notes to the condensed consolidated financial statements of MAA and MAALP results in the following benefits:

- enhances a readers' understanding of MAA and the Operating Partnership by enabling the reader to view the business as a whole in the same manner that management views and operates the business; and
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both MAA and the Operating Partnership.

Management operates MAA and the Operating Partnership as one business. The management of the Company is comprised of individuals who are officers of MAA and employees of the Operating Partnership. We believe it is important to understand the few differences between MAA and the Operating Partnership in the context of how MAA and the Operating Partnership operate as a consolidated company. MAA and the Operating Partnership are structured as an "umbrella partnership REIT," or UPREIT. MAA's interest in the Operating Partnership entitles MAA to share in cash distributions from, and in the profits and losses of, the Operating Partnership in proportion to MAA's percentage interest therein, and entitles MAA to vote on substantially all matters requiring a vote of the partners. MAA's only material asset is its ownership of limited partner interests in the Operating Partnership; therefore, MAA does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing public equity from time to time, and guaranteeing certain debt of the Operating Partnership. The Operating Partnership holds, directly or indirectly, all of our real estate assets. Except for net proceeds from public equity issuances by MAA, which are contributed to the Operating Partnership in exchange for OP Units, the Operating Partnership generates the capital required by our business through the Operating Partnership's operations, direct or indirect incurrence of indebtedness, and issuance of OP units.

The presentation of MAA's shareholders' equity and the Operating Partnership's capital is the principal area of difference between the condensed consolidated financial statements of MAA and those of the Operating Partnership. MAA's shareholders' equity may include shares of preferred stock, shares of common stock, additional paid-in capital, cumulative earnings, cumulative distributions, noncontrolling interests, preferred units, treasury shares, accumulated

other comprehensive income and redeemable common units. The Operating Partnership's capital may include common capital and preferred capital of the general partner (MAA), limited partners' preferred capital, limited partners' noncontrolling interests, accumulated other comprehensive income and redeemable common units. Redeemable common units represent the number of outstanding OP Units as of the date of the applicable balance sheet, valued at the greater of the closing market price of MAA's common stock or the aggregate value of the individual partners' capital balances. Holders of OP Units (other than MAA and its corporate affiliates) may require us to redeem their OP Units from time to time, in which case we may, at our option, pay the redemption price either in cash (in an amount per OP Unit equal, in general, to the average closing price of MAA's common stock on the New York Stock Exchange over a specified period prior to the redemption date) or by delivering one share of our common stock (subject to adjustment under specified circumstances) for each OP Unit so redeemed.

Organization of Mid-America Apartment Communities, Inc.

On December 1, 2016, MAA completed a merger with Post Properties, Inc., or Post Properties. Pursuant to the Agreement and Plan of Merger, or the Merger Agreement, Post Properties merged with and into MAA, with MAA continuing as the surviving corporation, or the Parent Merger, and Post LP merged with and into MAALP, with MAALP continuing as the surviving entity, or the Partnership Merger. We refer to the Parent Merger, together with the Partnership Merger, as the Merger in this Report. Under the terms of the Merger Agreement, each share of Post Properties common stock was converted into the right to receive 0.71 of a newly issued share of MAA common stock including the right, if any, to receive cash in lieu of fractional shares of MAA common stock. In addition, each limited partner interest in Post LP designated as a "Class A Unit" automatically converted into the right to receive 0.71 of a newly issued partnership unit of MAALP. Also, each share of Post Properties 8 1/2% Series A Cumulative Redeemable Preferred Stock, which we refer to as the Post Properties Series A preferred stock, was automatically converted into the right to receive one newly issued share of MAA's 8.50% Series I Cumulative Redeemable Preferred Stock, \$0.01 par value per share, which we refer to as MAA Series I preferred stock. Each newly issued share of MAA Series I preferred stock has the same rights, preferences, privileges, and voting powers as those of the Post Properties Series A preferred stock.

As of June 30, 2017, we owned and operated 304 apartment communities, comprising 100,237 apartments located in 16 states, through the Operating Partnership. As of June 30, 2017, we also owned a 35.0% interest in an unconsolidated real estate joint venture. As of June 30, 2017, we had six development communities under construction totaling 1,766 units. Total expected costs for the development projects are \$396.1 million, of which \$293.1 million has been incurred through June 30, 2017. We expect to complete construction on two projects by the fourth quarter of 2017, two projects by the first quarter of 2018, one project by the third quarter of 2018, and one project by the fourth quarter of 2018. Twenty-nine of our multifamily properties include retail components with approximately 600,000 square feet of gross leasable area. We also have four wholly owned commercial properties, which we acquired through the Merger, with approximately 269,000 square feet of combined gross leasable area.

Basis of Presentation and Principles of Consolidation

The accompanying Condensed Consolidated Financial Statements have been prepared by our management in accordance with United States generally accepted accounting principles, or GAAP, and applicable rules and regulations of the Securities and Exchange Commission, or the SEC. The Condensed Consolidated Financial Statements of MAA presented herein include the accounts of MAA, the Operating Partnership, and all other subsidiaries in which MAA has a controlling financial interest. MAA owns approximately 92.5% to 100% of all consolidated subsidiaries, including the Operating Partnership. The Condensed Consolidated Financial Statements of MAALP presented herein include the accounts of MAALP and all other subsidiaries in which MAALP has a controlling financial interest. MAALP owns, directly or indirectly, 92.5% to 100% of all consolidated subsidiaries. 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.

We invest in entities which may qualify as variable interest entities, or VIEs, and the limited partnership is considered a VIE. A VIE is a legal entity in which the equity investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or, as a group, the holders of the equity investment at risk lack the power to direct the activities of a legal entity as well as the obligation to absorb its expected losses or the right to receive its expected residual returns. The limited partnership is classified as a VIE, since the limited partners lack substantive kick-out rights and substantive participating rights. We consolidate all VIEs for which we are the primary beneficiary and use the equity method to account for investments that qualify as VIEs but for which we are not the primary beneficiary. In determining whether we are the primary beneficiary of a VIE, we consider qualitative and

quantitative factors, including but not limited to, those activities that most significantly impact the VIE's economic performance and which party controls such activities.

We use the equity method of accounting for our investments in entities for which we exercise significant influence, but do not have the ability to exercise control. The factors considered in determining that we do not have the ability to exercise control include ownership of voting interests and participatory rights of investors (see "Investment in Unconsolidated Real Estate Joint Ventures" below).

Noncontrolling Interests

At June 30, 2017, the Company had two types of noncontrolling interests, (1) noncontrolling interests related to the common unitholders of the Operating Partnership (see Note 11) and (2) noncontrolling interests related to its consolidated real estate entities (see "Investment in Consolidated Real Estate Joint Ventures" below).

Investment in Unconsolidated Real Estate Joint Ventures

Immediately prior to the effective date of the Merger, Post Properties together with other institutional investors, in a limited liability company, or the Apartment LLC, owned one apartment community located in Washington, D.C. Post Properties had a 35.0% equity interest in this unconsolidated joint venture, which we retained immediately following the effectiveness of the Merger and as of June 30, 2017. We provide property and asset management services to the Apartment LLC for which we earn fees.

This joint venture was determined to be a VIE, but we are not designated as a primary beneficiary. As a result, we account for our investment in the Apartment LLC using the equity method of accounting as we are able to exert significant influence, but do not have a controlling interest in this joint venture. At June 30, 2017, our investment in the Apartment LLC totaled \$44.8 million.

Investment in Consolidated Real Estate Joint Ventures

In 2015, Post Properties entered into a joint venture arrangement with a private real estate company to develop, construct and operate a 358-unit apartment community in Denver, Colorado. At June 30, 2017, we owned a 92.5% equity interest in the consolidated joint venture. In 2015, this joint venture acquired the land site and initiated the development of the apartment community. The venture partner will generally be responsible for the development and construction of the community and we will continue to manage the community upon its completion. This joint venture was determined to be a VIE with us designated as the primary beneficiary. As a result, the accounts of the joint venture are consolidated by us. At June 30, 2017, our consolidated assets, liabilities and equity included construction in progress of \$51.6 million, land of \$14.5 million, and accounts payable and accrued expenses of \$5.8 million.

Assets Held for Sale

During June 2017, the criteria for classifying three apartment communities and one land parcel as held for sale were met, and as a result, the assets and liabilities for these properties were presented as held for sale in the Condensed Consolidated Balance Sheets. Additionally, we ceased recording depreciation and amortization following the held for sale designation for these properties. See Note 16 (Subsequent Events) for details on the July 2017 disposition of these properties.

2. Business Combinations

On December 1, 2016, we completed the Merger. As part of the Merger, we acquired 61 wholly-owned apartment communities comprising 24,138 units, including 269 apartment units in one community held in an unconsolidated entity, and 2,262 apartment units in six communities that were under development at the Merger date. Post Properties had operations in ten markets across the United States. In addition to the apartment communities, we also acquired four commercial properties, totaling approximately 269,000 square feet. The consolidated net assets and results of operations of Post Properties are included in our Consolidated Financial Statements from the closing date, December 1, 2016, going forward.

The total purchase price of approximately \$4.0 billion was determined based on the number of shares of Post Properties' common stock, the number of shares of Post Properties' Series A preferred stock, and shares of Post LP's Class A Units of limited partnership interest outstanding as of December 1, 2016, in addition to cash consideration provided by the Operating Partnership immediately prior to the Merger to pay off a \$300.0 million Post LP unsecured term loan and a \$162.0 million Post LP line of credit, both outstanding from Wells Fargo. In all cases in which MAA's common stock price was a determining factor in arriving at final consideration for the Merger, the stock price used to determine the purchase price was the opening price of MAA's common stock on December 1, 2016 (\$91.41 per share).

The MAA Series I preferred stock consideration was valued at \$77.00 per share, which excluded a \$14.24 per share bifurcated call option (See Notes 8 & 9). The total purchase price also included \$2.0 million of other consideration, a majority of which related to assumed stock compensation plans. As a result of the Merger, we issued approximately 38.0 million shares of MAA common stock, approximately 80,000 OP Units, and approximately 868,000 newly issued shares of MAA Series I preferred stock.

The Merger has been accounted for using the acquisition method of accounting in accordance with Accounting Standards Codification, or ASC, 805, Business Combinations, which requires, among other things, that the assets acquired and liabilities assumed be recognized at their acquisition date fair values.

For larger, portfolio style acquisitions, like the Merger, management engages a third party valuation specialist to assist with the fair value assessment, which includes an allocation of the purchase price. Similar to management's methods, the third party uses cash flow analysis as well as an income approach and a market approach to determine the fair value of assets acquired. The

third party uses stabilized net operating income, or NOI, and market specific capitalization and discount rates. Management reviews the inputs used by the third party specialist as well as the allocation of the purchase price provided by the third party to ensure reasonableness and that the procedures are performed in accordance with management's policy. The allocation of the purchase price is based on management's assessment, which may differ as more information becomes available. Subsequent adjustments made to the purchase price allocation, if any, are made within the allocation period, which typically does not exceed one year.

The allocation of the purchase price described above requires a significant amount of judgment and represents management's best estimate of the fair value as of the acquisition date. The following preliminary purchase price allocation for the Merger reflects updates primarily to increased derivative asset values on the preferred share bifurcated call option (included in "Other assets") offset by an adjustment to litigation reserves and real estate asset values from our December 31, 2016 estimates. Such preliminary purchase price allocation was based on our valuation as well as estimates and assumptions of the acquisition date fair value of the tangible and intangible assets acquired and liabilities assumed.

The purchase price was allocated as follows (in thousands):

Land	\$875,332
Buildings and improvements	3,397,496
Furniture, fixtures and equipment	81,243
Development and capital improvements in progress	183,881
Undeveloped land	24,200
Commercial properties, net	3,610
Investment in real estate joint venture	44,435
Lease intangible assets	53,192
Cash and cash equivalents	34,292
Restricted cash	3,608
Deferred costs and other assets, excluding lease intangible assets	42,052
Total assets acquired	4,743,341
Notes payable	(595,609)
Fair market value of interest rate swaps	(2,118)
Lease intangible liabilities	(1,661)
Accounts payable, accrued expenses, and other liabilities	(133,054)
Total liabilities assumed, including debt	(732,442)
Noncontrolling interests - consolidated real estate entity	(2,306)
Total purchase price	\$4,008,593

The purchase price accounting reflected in the accompanying financial statements is based upon estimates and assumptions that are subject to change within the measurement period, pursuant to ASC 805. See Note 12 for loss contingencies identified, measured, and included in "Accounts payable, accrued expenses, and other liabilities" in the allocation above. We have preliminarily completed our valuation procedures. Adjustments may still occur as the valuation and revised preliminary purchase allocation is finalized in areas such as real estate related assets and liabilities, equity investments, litigation reserves, debt and debt related instruments, and certain other acquired assets and liabilities assumed.

We incurred Merger and integration related expenses of \$10.4 million for the six months ended June 30, 2017. These amounts were expensed as incurred and are included in the Condensed Consolidated Statements of Operations in the

items titled "Merger related expenses", primarily consisting of severance and professional costs, and "Integration related expenses", primarily consisting of temporary systems, staffing, and facilities costs.

3. Earnings per Common Share of MAA

Basic earnings per share is computed by dividing net income available for MAA common shareholders by the weighted average number of shares outstanding during the period. All outstanding unvested restricted share awards contain rights to non-forfeitable dividends and participate in undistributed earnings with common shareholders and, accordingly, are considered participating securities that are included in the two-class method of computing basic earnings per share. Both the unvested restricted shares and other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis with our diluted earnings per share being the more dilutive of the treasury stock or two-class methods. OP Units are included in dilutive earnings per share calculations when they are dilutive to earnings per share. For the three and six months ended June 30, 2017 and 2016, MAA's basic earnings per share was computed using the two-class method, and MAA's diluted earnings per share was computed using the more dilutive of the treasury stock method or two-class method, as presented below:

(dollars and shares in thousands, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Shares Outstanding				
Weighted average common shares - basic	113,403	75,277	113,371	75,263
Weighted average partnership units outstanding	— ⁽¹⁾	— ⁽¹⁾	— ⁽¹⁾	— ⁽¹⁾
Effect of dilutive securities	211	— ⁽²⁾	279	239
Weighted average common shares - diluted	113,614	75,277	113,650	75,502
Calculation of Earnings per Share - basic				
Net Income	\$50,155	\$47,630	\$93,571	\$93,438
Net Income attributable to noncontrolling interests	(1,840)	(2,486)	(3,351)	(4,881)
Unvested restricted stock (allocation of earnings)	(76)	(134)	(149)	(237)
Preferred dividends	(922)	—	(1,844)	—
Net income available for common shareholders, adjusted	\$47,317	\$45,010	\$88,227	\$88,320
Weighted average common shares - basic	113,403	75,277	113,371	75,263
Earnings per share - basic	\$0.42	\$0.60	\$0.78	\$1.17
Calculation of Earnings per Share - diluted				
Net Income	\$50,155	\$47,630	\$93,571	\$93,438
Net income attributable to noncontrolling interests	(1,840) ⁽¹⁾	(2,486) ⁽¹⁾	(3,351) ⁽¹⁾	(4,881) ⁽¹⁾
Unvested restricted stock (allocation of earnings)	—	(134) ⁽²⁾	—	—
Preferred dividends	(922)	—	(1,844)	—
Net income available for common shareholders, adjusted	\$47,393	\$45,010	\$88,376	\$88,557
Weighted average common shares - diluted	113,614	75,277	113,650	75,502
Earnings per share - diluted	\$0.42	\$0.60	\$0.78	\$1.17

⁽¹⁾ For both the three and six months ended June 30, 2017 and June 30, 2016, 4.2 million OP Units and their related income are not included in the diluted earnings per share calculations as they are not dilutive.

⁽²⁾ For the three months ended June 30, 2016, 0.2 million potentially dilutive securities and their related income are not included in the diluted earnings per share calculations as they are not dilutive.

4. Earnings per OP Unit of MAALP

Basic earnings per OP Unit is computed by dividing net income available for common unitholders by the weighted average number of OP Units outstanding during the period. All outstanding unvested restricted unit awards contain rights to non-forfeitable distributions and participate in undistributed earnings with common unitholders and, accordingly, are considered participating securities that are included in the two-class method of computing basic earnings per OP unit. Diluted earnings per OP Unit reflects the potential dilution that could occur if securities or other contracts to issue OP Units were exercised or converted into OP Units. A reconciliation of the numerators and denominators of the basic and diluted earnings per OP Unit computations for the three and six months ended June 30, 2017 and 2016 is presented below:

(dollars and units in thousands, except per unit amounts)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Units Outstanding				
Weighted average common units - basic	117,619	79,436	117,589	79,424
Effect of dilutive securities	211	—	(1) ⁽¹⁾ 279	239
Weighted average common units - diluted	117,830	79,436	117,868	79,663
Calculation of Earnings per Unit - basic				
Net Income	\$50,155	\$47,630	\$93,571	\$93,438
Unvested restricted stock (allocation of earnings)	(76)	(134)	(149)	(237)
Preferred unit distributions	(922)	—	(1,844)	—
Net income available for common unitholders, adjusted	\$49,157	\$47,496	\$91,578	\$93,201
Weighted average common units - basic	117,619	79,436	117,589	79,424
Earnings per common unit - basic	\$0.42	\$0.60	\$0.78	\$1.17
Calculation of Earnings per Unit - diluted				
Net Income	\$50,155	\$47,630	\$93,571	\$93,438
Unvested restricted stock (allocation of earnings)	—	(134) ⁽¹⁾	—	—
Preferred unit distributions	(922)	—	(1,844)	—
Net income available for common unitholders, adjusted	\$49,233	\$47,496	\$91,727	\$93,438
Weighted average common units - diluted	117,830	79,436	117,868	79,663
Earnings per common unit - diluted	\$0.42	\$0.60	\$0.78	\$1.17

(1) For the three months ended June 30, 2016, 0.2 million potentially dilutive securities and their related income are not included in the diluted earnings per share calculations as they are not dilutive.

5. MAA Equity

Changes in total equity and its components for the six-month periods ended June 30, 2017 and 2016 were as follows (dollars in thousands, except per share and per unit data):

Mid-America Apartment Communities, Inc. Shareholders' Equity								
	Preferred Stock Amount	Common Stock Amount	Additional Paid-In Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest - Operating Partnership	Noncontrolling Interest - Consolidated Real Estate Entity	Total Equity
EQUITY BALANCE DECEMBER 31, 2016	\$9	\$ 1,133	\$7,109,012	\$ (707,479)	\$ 1,144	\$ 235,976	\$ 2,306	\$6,642,101
Net income attributable to controlling interest	—	—	—	90,220	—	3,351	—	93,571
Other comprehensive income - derivative instruments (cash flow hedges)	—	—	—	—	(409)	(16)	—	(425)
Issuance and registration of common shares	—	1	15	—	—	—	—	16
Issuance and registration of preferred shares	—	—	2,007	—	—	—	—	2,007
Shares repurchased and retired	—	—	(4,782)	—	—	—	—	(4,782)
Exercise of stock options	—	—	218	—	—	—	—	218
Shares issued in exchange for common units	—	—	265	—	—	(265)	—	—
Shares issued in exchange for redeemable stock	—	—	1,482	—	—	—	—	1,482
Redeemable stock fair market value adjustment	—	—	—	(719)	—	—	—	(719)
Adjustment for noncontrolling interest ownership in operating partnership	—	—	123	—	—	(123)	—	—
Amortization of unearned compensation	—	—	5,739	(114)	—	—	—	5,625
Dividends on preferred stock	—	—	—	(1,844)	—	—	—	(1,844)
Dividends on common stock (\$1.74 per share)	—	—	—	(197,680)	—	—	—	(197,680)
Dividends on noncontrolling interest units (\$1.74 per unit)	—	—	—	—	—	(7,328)	—	(7,328)
EQUITY BALANCE JUNE 30, 2017	\$9	\$ 1,134	\$7,114,079	\$ (817,616)	\$ 735	\$ 231,595	\$ 2,306	\$6,532,242

Mid-America Apartment Communities, Inc.
Shareholders' Equity

	Preferred Stock Amount	Common Stock Amount	Additional Paid-In Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest Operating Partnership	Noncontrolling Interest Consolidated Real Estate Entity	Total Equity
EQUITY BALANCE DECEMBER 31, 2015	\$—	\$753	\$3,627,074	\$(634,141)	\$(1,589)	\$165,726	\$—	—\$3,157,823
Net income attributable to controlling interest	—	—	—	88,557	—	4,881	—	93,438
Other comprehensive loss - derivative instruments (cash flow hedges)	—	—	—	—	(2,561)	(141)	—	(2,702)
Issuance and registration of common shares	—	1	185	—	—	—	—	186
Shares repurchased and retired	—	—	(1,742)	—	—	—	—	(1,742)
Shares issued in exchange for common units	—	—	158	—	—	(158)	—	—
Shares issued in exchange for redeemable stock	—	—	123	—	—	—	—	123
Redeemable stock fair market value adjustment	—	—	—	(1,518)	—	—	—	(1,518)
Adjustment for noncontrolling interest ownership in operating partnership	—	—	(87)	—	—	87	—	—
Amortization of unearned compensation	—	—	4,383	—	—	—	—	4,383
Dividends on common stock (\$1.64 per share)	—	—	—	(123,852)	—	—	—	(123,852)
Dividends on noncontrolling interest units (\$1.64 per unit)	—	—	—	—	—	(6,820)	—	(6,820)
EQUITY BALANCE JUNE 30, 2016	\$—	\$754	\$3,630,094	\$(670,954)	\$(4,150)	\$163,575	\$—	—\$3,119,319

6. MAALP Capital

Changes in total capital and its components for the six-month periods ended June 30, 2017 and 2016 were as follows (dollars in thousands, except per unit data):

Mid-America Apartments, L.P. Unitholders' Capital						
	Limited Partner	General Partner	Preferred Units	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest - Consolidated Real Estate Entity	Total Partnership Capital
CAPITAL BALANCE DECEMBER 31, 2016	\$235,976	\$6,337,721	\$64,833	\$ 1,246	\$ 2,306	\$6,642,082
Net income attributable to controlling interest	3,351	88,376	1,844	—	—	93,571
Other comprehensive income - derivative instruments (cash flow hedges)	—	—	—	(425)	—	(425)
Issuance of units	—	16	2,007	—	—	2,023
Units repurchased and retired	—	(4,782)	—	—	—	(4,782)
Exercise of unit options	—	218	—	—	—	218
General partner units issued in exchange for limited partner units	(265)	265	—	—	—	—
Units issued in exchange for redeemable units	—	1,482	—	—	—	1,482
Redeemable units fair market value adjustment	—	(719)	—	—	—	(719)
Adjustment for limited partners' capital at redemption value	(139)	139	—	—	—	—
Amortization of unearned compensation	—	5,625	—	—	—	5,625
Distributions to preferred unitholders	—	—	(1,844)	—	—	(1,844)
Distributions (\$1.74 per unit)	(7,328)	(197,680)	—	—	—	(205,008)
CAPITAL BALANCE JUNE 30, 2017	\$231,595	\$6,230,661	\$66,840	\$ 821	\$ 2,306	\$6,532,223

Mid-America Apartments, L.P. Unitholders' Capital						
	Limited Partner	General Partner	Preferred Units	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest - Consolidated Real Estate Entity	Total Partnership Capital
CAPITAL BALANCE DECEMBER 31, 2015	\$165,726	\$2,993,696	\$ —	—\$ (1,618)	\$ —	—\$3,157,804
Net income attributable to controlling interest	4,881	88,557	—	—	—	93,438
Other comprehensive loss - derivative instruments (cash flow hedges)	—	—	—	(2,702)	—	(2,702)
Issuance of units	—	186	—	—	—	186
Units repurchased and retired	—	(1,742)	—	—	—	(1,742)
	(158)	158	—	—	—	—

General partner units issued in exchange for limited partner units

Units issued in exchange for redeemable units	—	123	—	—	—	123
Redeemable units fair market value adjustment	—	(1,518)	)	—	—	(1,518)
Adjustment for limited partners' capital at redemption value	(54)	)	54	—	—	—
Amortization of unearned compensation	—	4,383	—	—	—	4,383
Distributions (\$1.64 per unit)	(6,820)	)	(123,852)	)	—	(130,672)
CAPITAL BALANCE JUNE 30, 2016	\$163,575	\$2,960,045	\$	—\$ (4,320)	) \$	—\$3,119,300

7. Borrowings

The weighted average interest rate at June 30, 2017 for the \$4.6 billion of debt outstanding was 3.6%, compared to the weighted average interest rate of 3.5% on \$4.5 billion of debt outstanding at December 31, 2016. Our debt consists of an unsecured revolving credit facility, unsecured term loans, senior unsecured notes, a secured credit facility with Fannie Mae, and secured property mortgages. 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 Note 7.

At June 30, 2017, we had \$3.0 billion of senior unsecured notes and term loans fixed at an average interest rate of 3.8%, \$300.0 million of variable rate term loans with an average interest rate of 2.0%, and a \$1.0 billion variable rate revolving credit facility with an average interest rate of 2.1% with \$160.0 million borrowed at June 30, 2017. Additionally, we had \$110.0 million of secured variable rate debt outstanding at an average interest rate of 1.6% and \$50.0 million of capped secured variable rate debt

at an average interest rate of 1.6%. The interest rate on all other secured debt, totaling \$970.0 million, was hedged or fixed at an average interest rate of 3.6%.

Unsecured Revolving Credit Facility

We maintain a \$1.0 billion unsecured credit facility with a syndicate of banks led by KeyBank National Association, or the KeyBank Facility. The KeyBank Facility includes an expansion option up to \$1.5 billion. The KeyBank Facility bears an interest rate of LIBOR plus a spread of 0.85% to 1.55% based on an investment grade pricing grid and is currently bearing interest at 2.13%. The KeyBank Facility expires in April 2020 with an option to extend for an additional six months. At June 30, 2017, we had \$160.0 million actually borrowed under this facility, and another approximately \$2.3 million of the facility used to support letters of credit.

Unsecured Term Loans

We also maintain four term loans with a syndicate of banks, one led by KeyBank National Association, or KeyBank, two by Wells Fargo Bank, N.A., or Wells Fargo, and one by U.S. Bank National Association, or U.S. Bank, respectively. The KeyBank term loan has a balance of \$150.0 million, matures in 2021, and has a variable interest rate of LIBOR plus a spread of 0.90% to 1.75% based on our credit ratings. The Wells Fargo term loans have balances of \$250.0 million and \$300.0 million, respectively, mature in 2018 and 2022, respectively, and have variable interest rates of LIBOR plus a spread of 0.90% to 1.90% and 0.90% to 1.75%, respectively. The U.S. Bank term loan has a balance of \$150.0 million, matures in 2020, and has a variable interest rate of LIBOR plus a spread of 0.90% to 1.90% based on our credit ratings.

Senior Unsecured Notes

As of June 30, 2017, we had approximately \$2.2 billion (face value) of publicly issued notes and \$310 million of private placement notes. These senior unsecured notes had maturities at issuance ranging from five to twelve years, averaging 6.9 years remaining until maturity as of June 30, 2017.

On May 9, 2017, the Operating Partnership publicly issued \$600.0 million in aggregate principal amount of notes, maturing on June 1, 2027 with an interest rate of 3.60% per annum, or the 2027 Notes. The purchase price paid by the initial purchasers was 99.58% of the principal amount. The 2027 Notes are general unsecured senior obligations of the Operating Partnership and rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership. Interest on the 2027 Notes is payable on June 1 and December 1 of each year, beginning on December 1, 2017. The net proceeds from the offering, after deducting the original issue discount of approximately \$2.5 million and underwriting commissions and expenses of approximately \$3.9 million, were approximately \$593.6 million. The 2027 Notes have been reflected net of discount and debt issuance costs in the Condensed Consolidated Balance Sheet. In connection with the issuance of the 2027 Notes, we cash settled \$300 million in forward interest rate swap agreements, entered into earlier in the year to effectively lock the interest rate on the planned transaction, which produced an effective interest rate of 3.68% over the ten year life of the 2027 Notes.

Secured Credit Facility

We maintain a \$160.0 million secured credit facility with Prudential Mortgage Capital, which is credit enhanced by Fannie Mae, or the Fannie Mae Facility. The Fannie Mae Facility has maturities from 2017 through 2018. Borrowings under the Fannie Mae Facility totaled \$160.0 million at June 30, 2017, all of which was variable rate at an average interest rate of 1.6%. The available borrowing capacity at June 30, 2017 was \$160.0 million.

Secured Property Mortgages

At June 30, 2017, we had \$1.0 billion of fixed rate conventional property mortgages with an average interest rate of 4.0% and an average maturity in 2019.

On February 7, 2017, we paid off a \$15.8 million mortgage associated with the Grand Cypress apartment community. The loan was scheduled for maturity in August 2017.

On May 31, 2017, we paid off a \$156.4 million mortgage associated with the following apartment communities: CG at Edgewater, CG at Madison, CG at Seven Oaks, CG at Town Park, CG at Barrett Creek, CG at River Oaks, and CG at Huntersville. The loan was scheduled for maturity in June 2019.

In addition to these payoffs, we paid \$6.0 million associated with property mortgage principal amortizations during the six months ended June 30, 2017.

Guarantees

MAA fully and unconditionally guarantees the following debt incurred by the Operating Partnership:

\$160.0 million of the Fannie Mae Facility, of which \$160.0 million has been borrowed as of June 30, 2017; and \$310.0 million of the privately placed senior unsecured notes, all of which has been borrowed as of June 30, 2017.

Total Outstanding Debt

The following table summarizes our indebtedness at June 30, 2017 (dollars in thousands):

	Borrowed Balance	Effective Rate	Average Contract Maturity
Fixed Rate Secured Debt			
Individual property mortgages	\$950,145	4.0 %	9/2/2019
Total fixed rate secured debt	\$950,145	4.0 %	9/2/2019
Variable Rate Secured Debt ⁽¹⁾			
Fannie Mae conventional credit facility	160,000	1.6 %	6/1/2018
Total variable rate secured debt	\$160,000	1.6 %	6/1/2018
Fair market value adjustments and debt issuance costs	19,851		
Total Secured Debt	\$1,129,996	3.6 %	6/27/2019
Unsecured Debt			
Variable rate revolving credit facility	160,000	2.1 %	4/15/2020
Variable rate term loan	300,000	2.0 %	8/29/2020
Term loans fixed with swaps	550,000	3.1 %	4/17/2018
Fixed rate bonds	2,460,000	4.0 %	5/20/2024
Fair market value adjustments, debt issuance costs and discounts	(26,944)		
Total Unsecured Debt	\$3,443,056	3.6 %	11/20/2022
Total Outstanding Debt	\$4,573,052	3.6 %	12/29/2021

⁽¹⁾ Includes capped balances.

8. Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

We are exposed to certain risks arising from both our business operations and economic conditions. We principally manage our exposures to a wide variety of business and operational risks through management of our core business activities. We manage economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of our debt funding and the use of derivative financial instruments. Specifically, we enter into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future contractual and forecasted cash amounts, principally related to our borrowings, the value of which are determined by changing interest rates, related cash flows and other factors.

Cash Flow Hedges of Interest Rate Risk

Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements. To accomplish these objectives, we use interest rate swaps and interest rate caps as part of our interest rate

21

risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for us making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the three and six months ended June 30, 2017 and 2016, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt and forecasted issuances of fixed-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings.

During the three months ended June 30, 2017 and 2016, we recorded ineffectiveness of \$11,000 (increase to interest expense) and \$120,000 (increase to interest expense), respectively, and during the six months ended June 30, 2017 and 2016, we recorded ineffectiveness of \$14,000 (increase to interest expense) and \$163,000 (increase to interest expense), respectively, mainly attributable to a mismatch in the underlying indices of the derivatives and the hedged interest payments made on our variable-rate debt and due to the designation of acquired interest rate swaps with a non-zero fair value at inception.

Amounts reported in "Accumulated other comprehensive income" related to derivatives designated as qualifying cash flow hedges will be reclassified to interest expense as interest payments are made on our variable-rate or fixed-rate debt. During the next twelve months, we estimate that an additional \$130,000 will be reclassified to earnings as an increase to Interest expense, which primarily represents the difference between our fixed interest rate swap payments and the projected variable interest rate swap receipts.

As of June 30, 2017, we had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivative	Number of Instruments	Notional Amount
Interest Rate Caps	2	\$50,000,000
Interest Rate Swaps	10	\$550,000,000

The fair value of our interest rate derivatives designated as hedging instruments at June 30, 2017 included \$1.9 million of asset derivatives reported in Other assets and \$3.6 million of liability derivatives reported in the Fair market value of interest rate swaps in the Condensed Consolidated Balance Sheet. The fair value of our interest rate derivatives designated as hedging instruments at December 31, 2016 included \$2.4 million of asset derivatives reported in "Other assets" and \$7.6 million of liability derivatives reported in "Fair market value of interest rate swaps" in the Condensed Consolidated Balance Sheet.

Bifurcated Embedded Derivatives

Additionally, as a result of the Merger (see Note 2), on December 1, 2016, we issued 867,846 shares of MAA Series I preferred stock as consideration. These shares are redeemable, at our option, on and after October 1, 2026, at the redemption price per share of \$50 (see Note 10).

This redemption feature embedded in the MAA Series I preferred stock was evaluated in accordance with ASC 815, Derivatives and Hedging, and we determined that we were required to bifurcate the value associated with this feature from its host instrument, the perpetual preferred shares, and account for it as a freestanding derivative on the balance

sheet at fair value as a result of the call option.

Thus, the redemption feature embedded in the MAA Series I preferred stock is reported as a derivative asset in "Other assets" on the accompanying Condensed Consolidated Balance Sheets and is adjusted to its fair value at each reporting date, with a corresponding adjustment to Other non-property income or expense. The embedded derivative for these preferred shares was initially recorded at a fair value of \$10.8 million at the date of the Merger and as of December 31, 2016 and then subsequently adjusted to fair value of \$14.1 million at June 30, 2017. This \$3.3 million year-to-date increase includes a purchase price allocation adjustment of \$1.6 million related to the Merger opening balance sheet date, which was recorded in the six months ended June 30, 2017, as well as \$1.7 million year-to-date mark to market adjustments to record the change in fair value of the derivative asset in the six months ended June 30, 2017.

Tabular Disclosure of the Effect of Derivative Instruments on the Condensed Consolidated Statements of Operations

The table below presents the effect of our derivative financial instruments on the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2017 and 2016 (dollars in thousands):

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of (Loss) Reclassified from Accumulated OCI into Interest Expense (Effective Portion)		Location of (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of (Loss) Recognized in Interest Expense (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	2017	2016		2017	2016		2017	2016
Three months ended June 30,								
Interest rate contracts	\$(3,863)	\$(1,314)	Interest Expense	\$(246)	\$(1,131)	Interest Expense	\$(11)	\$(120)
Six months ended June 30,								
Interest rate contracts	\$(1,343)	\$(5,019)	Interest Expense	\$(918)	\$(2,317)	Interest Expense	\$(14)	\$(163)
Derivatives Not Designated as Hedging Instruments						Location of Loss Recognized in Income on Derivative	Amount of Loss Recognized in Income on Derivative	
Three months ended June 30,							2017	2016
Preferred stock embedded derivative						Interest and other non-property income	\$(633)	\$—
Six months ended June 30,								
Preferred stock embedded derivative						Interest and other non-property income	\$1,720	\$—

Credit-Risk-Related Contingent Features

As of June 30, 2017, derivatives that were in a net liability position and subject to credit-risk-related contingent features had a termination value of \$3.8 million, which included accrued interest but excluded any adjustment for nonperformance risk. These derivatives had a fair value, gross of asset positions, of \$3.6 million at June 30, 2017.

Certain of our derivative contracts contain a provision where we could be declared in default on our derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to our default on the

indebtedness. As of June 30, 2017, we had not breached the provisions of these agreements. If we had breached these provisions, we could have been required to settle our obligations under the agreements at the termination value of \$3.8 million.

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 Condensed Consolidated Balance Sheets.

We did not have any asset or liability derivative balances that were offsetting that would have resulted in reported net derivative balances differing from the recorded gross amount of derivative assets of \$1.9 million and \$2.4 million (excluding the preferred stock embedded derivative) as of June 30, 2017 and December 31, 2016, respectively, in addition to gross recorded derivative liabilities of \$3.6 million and \$7.6 million as of June 30, 2017 and December 31, 2016, respectively.

Other Comprehensive Income

MAA's other comprehensive income consists entirely of gains and losses attributable to the effective portion of our cash flow hedges. The chart below shows the change in the balance for the six months ended June 30, 2017 and 2016 (dollars in thousands):

Changes in Accumulated Other Comprehensive Income (Loss) by Component

	Affected Line Item in the Condensed Consolidated Statements Of Operations	Gains and Losses on Cash Flow Hedges	
		2017	2016
For the six months ended June 30,			
Beginning balance		\$1,144	\$(1,589)
Other comprehensive income (loss) before reclassifications		(1,343)	(5,019)
Amounts reclassified from accumulated other comprehensive income (interest rate contracts)	Interest expense	918	2,317
Net current-period other comprehensive (loss) income attributable to noncontrolling interests		16	141
Net current-period other comprehensive income (loss) attributable to MAA		(409)	(2,561)
Ending balance		\$735	\$(4,150)

See also discussions in Note 9 (Fair Value Disclosure of Financial Instruments) to the Condensed Consolidated Financial Statements.

9. Fair Value Disclosure of Financial Instruments

Cash and cash equivalents, restricted cash, accounts payable, accrued expenses and other liabilities and security deposits are carried at amounts that reasonably approximate their fair value due to their short term nature.

We apply Financial Accounting Standard Board, or FASB, ASC 820 Fair Value Measurements and Disclosures, or ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as

there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Fixed rate notes payable at June 30, 2017 and December 31, 2016, totaled \$3.40 billion and \$3.00 billion, respectively, and had estimated fair values of \$3.55 billion and \$3.13 billion (excluding prepayment penalties), respectively, as of June 30, 2017 and December 31, 2016. The carrying values of variable rate notes payable (excluding the effect of interest rate swap and cap agreements) at June 30, 2017 and December 31, 2016, totaled \$1.2 billion and \$1.5 billion, respectively, and had estimated fair values of \$1.2 billion and \$1.5 billion (excluding prepayment penalties), respectively, as of June 30, 2017 and December 31, 2016. The valuation of our debt is determined using widely accepted valuation techniques, including discounted cash flow

analysis on the expected cash flows of each debt instrument. This analysis reflects the contractual terms of the debt, and uses observable market-based inputs, including interest rate curves and credit spreads. The fair values of fixed rate debt are determined by using the present value of future cash outflows discounted with the applicable current market rate plus a credit spread. The fair values of variable rate debt are determined using the stated variable rate plus the current market credit spread. Our variable rates reset every 30 to 90 days and we conclude that these rates reasonably estimate current market rates. We have determined that inputs used to value our debt fall within Level 2 of the fair value hierarchy and therefore our fair market valuation of debt is considered Level 2 in the fair value hierarchy.

Financial Instruments Carried at Fair Value

Currently, we use interest rate swaps and interest rate caps (options) to manage our interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or 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 options 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.

To comply with the provisions of ASC 820, 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. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees. In conjunction with the FASB's fair value measurement guidance, we made an accounting policy election to measure the credit risk of our derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

The derivative asset related to the redemption feature embedded in the MAA Series I preferred stock issued in connection with Merger is valued using widely accepted valuation techniques, including discounted cash flow analysis in which the perpetual value of the preferred shares is compared to the value with the call option giving the value of the bifurcated call option as the difference between the two values. This analysis reflects the contractual terms of the redeemable preferred shares, redeemable at the Company's option, on October 1, 2026, reflecting the redemption price per share, \$50, as the price at which the preferred stock is redeemable. The analysis uses observable market-based inputs, including discount rates based on trading data available on the preferred shares to interpolate an as called value and adjusted based treasury rates to determine the present value of cash flows for the called value and the perpetual value in addition to market data available on the preferred shares to interpolate an as called value and discount rate and again adjusted from there to determine the perpetual discount rate using the applicable treasury rates.

We have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, and as a result, all of our derivatives held as of June 30, 2017 and December 31, 2016 were classified as Level 2 in the fair value hierarchy.

The table below presents our assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and December 31, 2016, 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 June 30, 2017

(dollars in thousands)

	Balance Sheet Location	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 June 30, 2017
Assets					
Interest rate derivative contracts	Other assets	\$	— \$ 1,897	\$	—\$ 1,897
Preferred Stock embedded derivative	Other assets	—	14,083	—	14,083
Total		\$	— \$ 15,980	\$	—\$ 15,980
Liabilities					
Interest derivative rate contracts	Fair market value of interest rate swaps	\$	— \$ 3,626	\$	—\$ 3,626

Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2016

(dollars in thousands)

	Balance Sheet Location	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 December 31, 2016
Assets					
Interest rate derivative contracts	Other assets	\$	— \$ 2,364	\$	—\$ 2,364
Preferred Stock embedded derivative	Other assets	—	10,783	—	10,783
Total		\$	— \$ 13,147	\$	—\$ 13,147
Liabilities					
Interest derivative rate contracts	Fair market value of interest rate swaps	\$	— \$ 7,562	\$	—\$ 7,562

The fair value estimates presented herein are based on information available to management as of June 30, 2017 and December 31, 2016. These estimates are not necessarily indicative of the amounts we could ultimately realize. See also discussions in Note 8 (Derivatives and Hedging Activities) to the Condensed Consolidated Financial Statements.

10. Shareholders' Equity of MAA

On June 30, 2017, 113,607,734 shares of common stock of MAA and 4,215,678 OP Units in the Operating Partnership (excluding the OP Units held by MAA) were issued and outstanding, representing a total of 117,823,412 common shares and units. At June 30, 2016, 75,524,086 shares of common stock of MAA and 4,159,003 OP Units in the Operating Partnership (excluding OP Units held by MAA) were issued and outstanding, representing a total of 79,683,089 common shares and units. There were 108,438 options to acquire shares of MAA common stock outstanding as of June 30, 2017 compared to 39,084 outstanding options as of June 30, 2016.

During the six months ended June 30, 2017, 47,956 shares of MAA common stock were acquired from employees to satisfy minimum tax withholding obligations that arose upon vesting of restricted stock granted pursuant to approved plans. During the six months ended June 30, 2016, 18,988 shares were acquired for that purpose. During the six months ended June 30, 2017, we issued 10,340 shares related to the exercise of stock options. These exercises resulted in proceeds of \$0.4 million. During the six months ended June 30, 2016 there were no stock options exercised.

Preferred Stock

As of June 30, 2017, MAA had one outstanding series of cumulative redeemable preferred stock which has the following characteristics:

Description	Outstanding Shares	Liquidation Preference ⁽¹⁾ (per share)	Optional Redemption Date	Redemption Price ⁽²⁾ (per share)	Stated Dividend Yield (per share)	Approximate Dividend Rate (per share)
Series I	867,846	\$50.00	10/1/2026	\$50.00	8.50%	\$4.25

⁽¹⁾ The total liquidation preference for outstanding preferred stock is \$43.4 million.

⁽²⁾ The redemption price is the price at which the preferred stock is redeemable, at MAA's option, for cash.

11. Partners' Capital of MAALP

Operating Partnership Units

Interests in MAALP are represented by OP Units. As of June 30, 2017, there were 117,823,412 OP Units outstanding, 113,607,734 or 96.4% of which were owned by MAA, MAALP's general partner. The remaining 4,215,678 OP Units were owned by non-affiliated limited partners, or Class A Limited Partners. As of June 30, 2016, there were 79,683,089 OP Units outstanding, 75,524,086 or 94.8% of which were owned by MAA and 4,159,003 of which were owned by the Class A Limited Partners.

MAA, as the sole general partner of MAALP, has full, complete and exclusive discretion to manage and control the business of the Operating Partnership subject to the restrictions specifically contained within the Operating Partnership's agreement of limited partnership, or the Partnership Agreement. Unless otherwise stated in the Partnership Agreement, this power includes, but is not limited to, acquiring, leasing, or disposing of any real property; constructing buildings and making other improvements to properties owned; borrowing money, modifying or extinguishing current borrowings, issuing evidence of indebtedness, and securing such indebtedness by mortgage, deed of trust, pledge or other lien on the Operating Partnership's assets; and distribution of Operating Partnership cash or other assets in accordance with the Partnership Agreement. MAA can generally, at its sole discretion, issue and redeem OP Units and determine the consideration to be received or the redemption price to be paid, as applicable. MAA may delegate these and other powers granted if MAA, the general partner, remains in supervision of the designee.

Under the Partnership Agreement, the Operating Partnership may issue Class A Units and Class B Units. Class A Units may only be held by limited partners who are not affiliated with MAA, in its capacity as general partner of the Operating Partnership, while Class B Units may only be held by MAA, in its capacity as general partner of the Operating Partnership, and as of June 30, 2017, a total of 4,215,678 Class A Units in the Operating Partnership were held by limited partners unaffiliated with MAA, while a total of 113,607,734 Class B Units were held by MAA. In general, the limited partners do not have the power to participate in the management or control of the Operating Partnership's business except in limited circumstances including changes in the general partner and protective rights if the general partner acts outside of the provisions provided in the Partnership Agreement. The transferability of Class A Units is also limited by the Partnership Agreement.

Net income (after allocations to preferred ownership interests) is allocated to the general partner and limited partners based on their respective ownership percentages of the Operating Partnership. Issuance or redemption of additional Class A Units or Class B Units changes the relative ownership percentage of the partners. The issuance of Class B

Units generally occurs when MAA issues common stock and the proceeds from that issuance are contributed to the Operating Partnership in exchange for the issuance to MAA of a number of OP Units equal to the number of shares of common stock issued. Likewise, if MAA repurchases or redeems outstanding shares of common stock, the Operating Partnership generally redeems an equal number of Class B Units with similar terms held by MAA for a redemption price equal to the purchase price of those shares of common stock. At each reporting period, the allocation between general partner capital and limited partner capital is adjusted to account for the change in the respective percentage ownership of the underlying capital of the Operating Partnership. Holders of the Class A Units may require MAA to redeem their Class A Units, in which case MAA may, at its option, pay the redemption price either in cash (in an amount per Class A Unit equal, in general, to the average closing price of MAA's common stock on the New York Stock Exchange over a specified period prior to the redemption date) or by delivering one share of MAA common stock (subject to adjustment under specified circumstances) for each Class A Unit so redeemed.

At June 30, 2017, a total of 4,215,678 Class A Units were outstanding and redeemable for 4,215,678 shares of MAA common stock, with an approximate value of \$444.2 million, based on the closing price of MAA's common stock on the New York Stock Exchange, or NYSE, on June 30, 2017 of \$105.38 per share. At June 30, 2016, a total of 4,159,003 Class A Units were outstanding and redeemable for 4,159,003 shares of MAA common stock, with an approximate value of \$442.5 million, based on the closing price of MAA's common stock on the NYSE on June 30, 2016 of \$106.40 per share.

The Operating Partnership pays the same per unit distribution in respect to the OP Units as the per share dividend MAA pays in respect to its common stock.

12. Legal Proceedings

In September 2010, the United States Department of Justice, or DOJ, filed suit against Post Properties (and by virtue of the Merger, MAA) in the United States District Court for the District of Columbia alleging that certain of Post Properties' apartments violated accessibility requirements of the Fair Housing Act, or FHA, and the Americans with Disabilities Act of 1990, or ADA. The DOJ is seeking, among other things, an injunction against MAA, requiring MAA to retrofit the properties and comply with FHA and ADA standards in future design and construction, as well as monetary damages and civil penalties. No trial date has been set.

We are subject to various legal proceedings and claims that arise in the ordinary course of our business operations. Matters which arise out of allegations of bodily injury, property damage, and employment practices are generally covered by insurance. While the resolution of these other matters cannot be predicted with certainty, management currently believes the final outcome of such matters will not have any additional material adverse effect on our financial position, results of operations or cash flows.

Loss Contingencies

The outcomes of the claims, disputes and legal proceedings described or referenced above are subject to significant uncertainty. We record an accrual for loss contingencies when a loss is probable and the amount of the loss can be reasonably estimated. We review these accruals quarterly and make revisions based on changes in facts and circumstances. When a loss contingency is not both probable and reasonably estimable, we do not accrue the loss. However, if the loss (or an additional loss in excess of the accrual) is at least a reasonable possibility and material, then we disclose a reasonable estimate of the possible loss, or range of loss, if such reasonable estimate can be made. If we cannot make a reasonable estimate of the possible loss, or range of loss, then a statement to that effect is disclosed.

The assessment of whether a loss is probable or a reasonable possibility, and whether the loss or range of loss is reasonably estimable, often involves a series of complex judgments about future events. Among the factors that we consider in this assessment, including with respect to the matters disclosed in this Note, are the nature of existing legal proceedings and claims, the asserted or possible damages or loss contingency (if reasonably estimable), the progress of the matter, existing law and precedent, the opinions or views of legal counsel and other advisers, our experience in similar matters, the facts available to us at the time of assessment, and how we intend to respond, or have responded, to the proceeding or claim. Our assessment of these factors may change over time as individual proceedings or claims progress. For matters where we are not currently able to reasonably estimate a range of reasonably possible loss, the factors that have contributed to this determination include the following: (i) the damages sought are indeterminate; (ii) the proceedings are in the early stages; (iii) the matters involve novel or unsettled legal theories or a large or uncertain number of actual or potential cases or parties; and/or (iv) discussions with the parties in matters that are expected ultimately to be resolved through negotiation and settlement have not reached the point where we believe a reasonable estimate of loss, or range of loss, can be made. In such instances, we believe that there is considerable uncertainty

regarding the timing or ultimate resolution of such matters, including a possible eventual loss or business impact, if any.

As of June 30, 2017 and December 31, 2016, the Company's accrual for loss contingencies was \$38.9 million and \$42.1 million in the aggregate, respectively.

13. Segment Information

As of June 30, 2017, we owned or had ownership interest in 305 multifamily apartment communities in 16 different states and the District of Columbia from which we derived all significant sources of earnings and operating cash flows. Senior management evaluates performance and determines resource allocations of each of our apartment communities on a Large Market Same Store, Secondary Market Same Store, and Non-Same Store and Other basis, as well as an individual apartment community basis. This is consistent with the aggregation criteria under GAAP as each of our apartment communities generally has similar economic characteristics, facilities, services, and tenants. The following are the three reportable operating segments for MAA and the Operating Partnership:

Large market same store communities are generally communities in markets with a population of at least 1 million and at least 1% of the total public multifamily REIT units that we have owned and have been stabilized for at least a full 12 months.

Secondary market same store communities are generally communities in markets with populations of more than 1 million but less than 1% of the total public multifamily REIT units or markets with populations of less than 1 million that we have owned and have been stabilized for at least a full 12 months.

Non-same store communities and other includes recent acquisitions, communities in development or lease-up, communities that have been identified for disposition, and communities that have undergone a significant casualty loss. Also included in non-same store communities are non-multifamily activities.

On the first day of each calendar year, we determine the composition of our same store operating segments for that year as well as adjust the previous year, which allows us to evaluate full period-over-period operating comparisons. Properties in development or lease-up will be added to the same store portfolio on the first day of the calendar year after they have been owned and stabilized for at least a full 12 months. Communities are considered stabilized after achieving 90% occupancy for 90 days. Communities that have been identified for disposition are excluded from our same store portfolio.

We utilize NOI in evaluating the performance of the segments. Total NOI represents total property revenues less total property operating expenses, excluding depreciation and amortization, for all properties held during the period regardless of their status as held for sale. We believe NOI is a helpful tool in evaluating the operating performance of our segments because it measures the core operations of property performance by excluding corporate level expenses and other items not related to property operating performance.

Note that all properties acquired from Post Properties have been placed in our Non-Same Store and Other operating segment, as the properties are recent acquisitions and have not been owned and stabilized for at least 12 months as of the first day of the current calendar year.

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Revenues and NOI for each reportable segment for the three- and six- month periods ended June 30, 2017 and 2016 were as follows (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenues:				
Large Market Same Store	\$ 167,712	\$ 162,487	\$ 333,971	\$ 322,679
Secondary Market Same Store	87,231	84,770	173,377	168,863
Non-Same Store and Other	127,848	24,979	254,351	49,710
Total operating revenues	\$ 382,791	\$ 272,236	\$ 761,699	\$ 541,252
NOI:				
Large Market Same Store	\$ 104,098	\$ 101,108	\$ 208,845	\$ 200,635
Secondary Market Same Store	54,544	52,745	108,781	106,139
Non-Same Store and Other	78,180	15,428	156,831	30,642
Total NOI	236,822	169,281	474,457	337,416
Depreciation and amortization	(126,360)	(75,742)	(256,357)	(150,870)
Acquisition expenses	—	(421)	—	(1,134)
Property management expenses	(10,745)	(8,310)	(21,726)	(17,313)
General and administrative expenses	(9,534)	(7,014)	(22,374)	(13,596)
Merger related expenses	(978)	—	(3,849)	—
Integration costs	(3,229)	—	(6,519)	—
Interest and other non-property income	650	62	3,329	94
Interest expense	(38,481)	(32,039)	(75,065)	(64,250)
Gain on debt extinguishment/modification	2,217	—	2,340	3
Gain on sale of depreciable real estate assets	274	68	201	823
Net casualty (loss) gain after insurance and other settlement proceeds	(240)	1,760	(331)	813
Income tax expense	(618)	(457)	(1,269)	(745)
Gain on sale of non-depreciable real estate assets	48	543	48	2,170
Gain (loss) from real estate joint ventures	329	(101)	686	27
Net income attributable to noncontrolling interests	(1,840)	(2,486)	(3,351)	(4,881)
Preferred Dividends	(922)	—	(1,844)	—
Net income available for MAA common shareholders	\$ 47,393	\$ 45,144	\$ 88,376	\$ 88,557

Assets for each reportable segment as of June 30, 2017 and December 31, 2016, were as follows (dollars in thousands):

	June 30, 2017	December 31, 2016
Assets:		
Large Market Same Store	\$ 4,060,183	\$ 4,126,885
Secondary Market Same Store	1,741,902	1,768,183
Non-Same Store and Other	5,550,019	5,479,780
Corporate assets	182,025	229,643
Total assets	\$ 11,534,129	\$ 11,604,491

14. Real Estate Acquisitions and Dispositions

The following chart shows our acquisition activity for the six months ended June 30, 2017:

Community	Market	Units	Date Acquired
Charlotte at Midtown	Nashville, TN	279	March 16, 2017

The following chart shows our disposition activity for the six months ended June 30, 2017:

Community	Market	Acres	Date Sold
Lakewood Ranch - Outparcel	Tampa, FL	12	April 7, 2017
Post Alexander - Outparcel	Atlanta, GA	1	June 12, 2017

15. Recent Accounting Pronouncements

The following table provides a brief description of recent accounting pronouncements that could have a material effect on our financial statements:

Standard	Description	Date of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2014-09, Revenue from Contracts with Customers	This ASU establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services as outlined in a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. Income from lease contracts is specifically excluded from this ASU.	This ASU is effective for annual reporting periods beginning after December 15, 2017, as a result of a deferral of the effective date arising from the issuance of ASU 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date. Early adoption is permitted.	The amendments may be applied using the full retrospective transition method resulting in adjustments to each prior period presented as of the date of initial application or by using the modified retrospective transition method with a cumulative effect recognized as of the date of initial application. We currently expect to adopt ASU 2014-09 effective January 1, 2018, using the modified retrospective approach. We have identified our revenue streams and are in the process of evaluating the impact on our consolidated financial statements and internal accounting processes; however, the majority of our revenue is derived from real estate lease contracts.
ASU 2016-02, Leases	This ASU amends existing accounting standards for lease accounting and establishes the principles for lease accounting for both the lessee and lessor. The amendment requires an entity to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and	This ASU is effective for annual reporting periods beginning after December 15, 2018; however, early adoption is permitted.	The standard must be adopted using a modified retrospective transition and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. We are currently evaluating the impact this standard may have on our consolidated financial statements and related disclosures upon adoption.

presentation of expenses will depend on classification as a finance or operating lease. The amendment also requires certain quantitative and qualitative disclosures about leasing arrangements.

This ASU amends existing accounting standards for certain aspects of share-based payments to employees. The new guidance will require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. It also will allow an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur.

ASU 2016-09,
Improvements to
Employee
Share-Based
Payment
Accounting

This ASU is effective for annual reporting periods beginning after December 15, 2016. We adopted this guidance effective January 1, 2017.

We adopted this standard effective January 1, 2017, using the modified retrospective transition method, with a cumulative-effect adjustment to retained earnings, and there was no material effect on our consolidated financial position or results of operations taken as a whole.

Standard	Description	Date of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)	This ASU clarifies how several specific cash receipts and cash payments are to be presented and classified on the statement of cash flows, including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration made after a business combination, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of predominance principle.	This ASU is effective for interim and annual periods beginning after December 15, 2017, and early adoption is permitted.	Each amendment in this standard must be applied prospectively, retrospectively, or as of the beginning of the earliest comparative period presented in the year of adoption, depending on the type of amendment. We expect to adopt ASU 2016-15 as of January 1, 2018, and we are currently evaluating the impact this standard may have on our consolidated financial statements upon adoption.
ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash equivalents when reconciling the beginning and ending amounts in the statements of cash flows. (A Consensus of the FASB Emerging Issues Task Force)	This ASU requires restricted cash to be presented with cash and cash equivalents when reconciling the beginning and ending amounts in the statements of cash flows.	This ASU is effective for interim and annual periods beginning after December 15, 2017, and early adoption is permitted.	The update should be applied retrospectively to each period presented. We expect to adopt ASU 2016-18 as of January 1, 2018. We currently report the change in restricted cash within the operating and investing activities in our consolidated statement of cash flows. Upon adoption in Q1 2018, cash and cash equivalents reported in our consolidated statements of cash flows for the six months ended June 30, 2017 will increase by approximately \$27.9 million to reflect the restricted cash balances. Additionally, net cash used in investing activities will decrease by \$58.3 million for the six months ended June 30, 2017. We adopted this standard as of January 1, 2017 and the adoption did not require any additional disclosures. We believe most of our future acquisitions of operating properties will qualify as asset acquisitions and most future transaction costs associated with these acquisitions will be capitalized. Through the second quarter of 2017, acquisition costs totaling \$0.6 million related to our acquisition of Charlotte at Midtown were capitalized and allocated to the assets acquired based on the relative fair market value of those underlying assets.
ASU 2017-01, Clarifying the Definition of a Business (Topic 805)	This ASU clarifies the definition of a business and provides further guidance for evaluating whether a transaction will be accounted for as an acquisition of an asset or a business.	This ASU is effective for interim and annual periods beginning after December 15, 2017. We early adopted this standard effective January 1, 2017.	

16. Subsequent Events

Dispositions

During July 2017, we sold three multifamily properties that were classified as held for sale as of June 30, 2017. See Footnote 1, "Basis of Presentation and Principles of Consolidation and Significant Accounting Policies," for details on the held for sale classification of these properties. The following table lists the communities that were disposed during July 2017:

Community	Market	Units	Closing Date	Operating Segment
Paddock Club Lakeland	Lakeland, FL	464	July 13, 2017	Non-same store and other
Paddock Club Montgomery	Montgomery, AL	208	July 20, 2017	Non-same store and other
Northwood Place	Arlington, TX	270	July 20, 2017	Non-same store and other

We expect to recognize total net gains on the sale of real estate assets of approximately \$60 million in the third quarter of 2017 in connection with the sale of these properties.

Financing

On July 17, 2017, we paid off \$150 million of senior unsecured notes upon maturity.

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

The following discussion analyzes the financial condition and results of operations of both MAA and the Operating Partnership, of which MAA is the sole general partner and in which MAA owned a 96.4% limited partner interest as of June 30, 2017. MAA conducts substantially all of its business through the Operating Partnership and the Operating Partnership's various subsidiaries.

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 that might appear in the following discussion or in the Condensed Consolidated Financial Statements should not be interpreted as being indicative of future operations.

Risk Associated with 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, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, 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 may include, without limitation, statements concerning property acquisitions and dispositions, joint venture activity, development and renovation activity as well as other capital expenditures, capital raising activities, rent and expense growth, occupancy, financing activities and interest rate and other economic expectations, as well as statements about the anticipated benefits from the Merger. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," and variations of such words and similar expressions are intended to identify such forward-looking statements. Such forward-looking 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, financial conditions or plans expressed or implied by such forward-looking statements. 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;
- exposure, as a multifamily-focused REIT, to risks inherent in investments in a single industry and sector;
- adverse changes in real estate markets, including, but not limited to, the extent of future demand for multifamily units in our significant markets, barriers of entry into new markets, which we may seek to enter in the future, limitations on our ability to increase rental rates, competition, our ability to identify and consummate attractive acquisitions or development projects on favorable terms, our ability to consummate any planned dispositions in a timely manner on acceptable terms, and our ability to reinvest sale proceeds in a manner that generates favorable returns;
- failure of new acquisitions to achieve anticipated results or be efficiently integrated;
- failure of development communities to be completed, if at all, within budget and on a timely basis or to lease-up as anticipated;
- unexpected capital needs;

• changes in operating costs, including real estate taxes, utilities and insurance costs;
• losses from catastrophes in excess of our insurance coverage;
• ability to obtain financing at favorable rates, if at all, and refinance existing debt as it matures;
• level and volatility of interest or capitalization rates or capital market conditions;
• loss of hedge accounting treatment for interest rate swaps or interest rate caps;
• the continuation of the good credit of our interest rate swap and cap providers;
• price volatility, dislocations and liquidity disruptions in the financial markets and the resulting impact on financing;
• the effect of any rating agency actions on the cost and availability of new debt financing;
• significant decline in market value of real estate serving as collateral for mortgage obligations;
• significant change in the mortgage financing market that would cause single-family housing, either as an owned or rental product, to become a more significant competitive product;

our ability to continue to satisfy complex rules in order to maintain our status as a REIT for federal income tax purposes, the ability of the Operating Partnership to satisfy the rules to maintain its status as a partnership for federal income tax purposes, the ability of our taxable REIT subsidiaries to maintain their status as such for federal income tax purposes, and our ability and the ability of our subsidiaries to operate effectively within the limitations imposed by these rules;

inability to attract and retain qualified personnel;

- cyber liability or potential liability for breaches of our privacy or information security systems;

potential liability for environmental contamination;

- adverse legislative or regulatory tax changes;

litigation and compliance costs associated with laws requiring access for disabled persons;

- risks associated with the Merger, including the integration of MAA's and Post Properties' businesses and achieving expected revenue synergies and/or cost savings as a result of the Merger;

risks associated with unexpected costs or unexpected liabilities that may arise from the Merger; and

other risks identified in this Report and, from time to time, in other reports we file with the SEC or in other documents that we publicly disseminate.

New factors may also emerge from time to time that could have a material adverse effect on our business. Except as otherwise required by law, we undertake no obligation to publicly update or revise these forward-looking statements to reflect events, circumstances or changes in expectations after the date on which this Report is filed.

Critical Accounting Policies and Estimates

Please refer to our Annual Report on Form 10-K for the year ended December 31, 2016 that we filed with the SEC on February 24, 2017 for discussions of our critical accounting policies. During the three months ended June 30, 2017, there were no material changes to these policies.

Overview of the Three Months Ended June 30, 2017

As noted earlier, on December 1, 2016, we consummated the Merger and acquired all of Post Properties' Consolidated net assets. The consolidated net assets and results of operations of Post Properties are included in our Condensed Consolidated Financial Statements of this Report from the closing date, December 1, 2016, going forward. All properties acquired from Post Properties have been placed in our Non-Same Store and Other operating segment, as the properties are recent acquisitions and have not been owned and stabilized for at least 12 months.

For the three months ended June 30, 2017 net income available for MAA common shareholders was \$47.4 million compared to \$45.1 million for the three months ended June 30, 2016. Results for the three months ended June 30, 2017 included \$4.2 million of merger and integration costs related to the Merger as well as \$48.9 million of additional depreciation and amortization expense. These increases to net expense were partially offset by increases in revenues primarily resulting from the Merger, as we experienced a 411.8% increase in our Non-Same Store and Other segment. We also experienced a 3.2% increase in our Large Market Same Store segment revenues and a 2.9% increase in our Secondary Market Same Store segment revenue. The increases in expense were driven by the above mentioned factors and increased property operating expenses primarily in our Non-Same Store and Other segment from the properties we acquired in the Merger resulting in a 420.0% increase in our Non-Same Store and Other segment. We also experienced a 3.6% increase in our Large Market Same Store segment expenses and a 2.1% increase in our Secondary Market Same Store segment expenses.

The drivers of these increases are discussed below in the "Results of Operations" section. Our same store portfolio represents those communities that have been held and have been stabilized for at least 12 months. Communities excluded from the same store portfolio include recent acquisitions, such as the communities acquired as result of the Merger, communities being developed or in lease-up, communities undergoing extensive renovations, and communities identified for disposition. Additional information regarding the composition of our operating segments is included in Note 13 (Segment Information) to the Condensed Consolidated Financial Statements included in this Report.

The following table shows our multifamily real estate assets as of June 30, 2017 and 2016:

	June 30, 2017	June 30, 2016
Properties ⁽¹⁾	305	256
Units ⁽¹⁾	100,237	80,300
Development units	1,766	628
Average effective rent per unit for the three months ended June 30, 2017 or 2016, as applicable, excluding lease-up and development	\$1,166	\$1,031
Physical occupancy, excluding lease-up and development	96.5%	96.6%

⁽¹⁾ Includes property/units owned by nonconsolidated joint venture.

Average effective rent per unit is equal to the average of gross rent amounts after the effect of leasing concessions for occupied units plus prevalent market rates asked for unoccupied units, divided by the total number of units. Leasing concessions represent discounts to the current market rate. We believe average effective rent per unit is a helpful measurement in evaluating average pricing. It does not represent actual rental revenues collected per unit. See discussion of same store average rent per unit and occupancy comparisons in the "Trends" section below.

In addition to the multi-family assets detailed above, we also owned four commercial properties totaling approximately 269,000 square feet of combined gross leasable space at June 30, 2017.

Results of Operations

Comparison of the three months ended June 30, 2017 to the three months ended June 30, 2016

Property Revenues

The following table shows our property revenues by segment for the three months ended June 30, 2017 and June 30, 2016 (dollars in thousands):

	Three months ended June 30,			Percentage Increase	
	2017	2016	Increase		
Large Market Same Store	\$167,712	\$162,487	\$5,225	3.2	%
Secondary Market Same Store	87,231	84,770	2,461	2.9	%
Same Store Portfolio	254,943	247,257	7,686	3.1	%
Non-Same Store and Other	127,848	24,979	102,869	411.8	%
Total	\$382,791	\$272,236	\$110,555	40.6	%

The increases in property revenues from our Large Market Same Store and Secondary Market Same Store segments are primarily a result of increased average effective rent per unit of 3.3% and 2.8% year over year, respectively. The increase in property revenues from our Non-Same Store and Other segment is primarily the result of the Merger, as we classified the properties we acquired as non-same store. See the discussion of our segment classification methodology in Note 13 (Segment Information) to the Condensed Consolidated Financial Statements included in this Report.

Property Operating Expenses

Property operating expenses include costs primarily consisting of property personnel, building repairs and maintenance, real estate taxes and insurance, utilities, and landscaping. The following table shows our property operating expenses by segment for the three months ended June 30, 2017 and June 30, 2016 (dollars in thousands):

	Three months ended June 30,				
	2017	2016	Increase	Percentage Increase	
Large Market Same Store	\$63,614	\$61,379	\$2,235	3.6	%
Secondary Market Same Store	32,687	32,025	662	2.1	%
Same Store Portfolio	96,301	93,404	2,897	3.1	%
Non-Same Store and Other	49,668	9,551	40,117	420.0	%
Total	\$145,969	\$102,955	\$43,014	41.8	%

The increase in property operating expenses from our Large Market Same Store segment is primarily a result of increases in real estate taxes of \$0.9 million, building repairs and maintenance expense of \$0.6 million, and personnel expense of \$0.7 million. The increase in property operating expenses from our Secondary Market Same Store segment is primarily a result of increases in personnel expense of \$0.4 million and landscape expense of \$0.4 million. The increase in property expenses from our Non-Same Store and Other segment is primarily the result of the Merger.

Depreciation and Amortization

Depreciation and amortization expense for the three months ended June 30, 2017 was approximately \$126.4 million, an increase of \$50.6 million from the three months ended June 30, 2016. The increase in depreciation and amortization expense is primarily due to depreciation of \$38.3 million and amortization expenses of \$10.6 million resulting from the Merger, in addition to asset additions made in the normal course of business.

Property Management Expenses

Property management expenses for the three months ended June 30, 2017 were approximately \$10.7 million, an increase of \$2.4 million from the three months ended June 30, 2016. This increase is primarily due to the growth in our portfolio as a result of the Merger.

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2017 were approximately \$9.5 million, an increase of \$2.5 million from the three months ended June 30, 2016. This increase is primarily driven by increases in legal expenses quarter over quarter.

Merger and Integration Related Expenses

Merger and integration related expenses for the acquisition of Post Properties were comprised primarily of approximately \$1.0 million of legal costs and \$3.2 million of professional costs for the three months ended June 30, 2017. We did not incur any merger or integration related expenses for the three months ended June 30, 2016.

Interest Expense

Interest expense for the three months ended June 30, 2017 was approximately \$38.5 million, an increase of \$6.4 million from the three months ended June 30, 2016. The increase was primarily due to increased borrowing as we assumed several loans as a result of the Merger, including a secured loan with a face value of \$186.0 million and two unsecured loans with face values of \$150.0 million and \$250.0 million. Additionally, we also entered into a new \$300.0 million term loan on the closing date of the Merger. During the three months ended June 30, 2017, we issued a public bond with a face value of \$600 million, bearing interest at 3.60% per annum.

Gain on Debt Extinguishment

We recorded a gain on debt extinguishment of \$2.2 million for the three months ended June 30, 2017. We did not record a gain or loss for the three months ended June 30, 2016. The \$2.2 million net gain on debt extinguishment resulted from the write-off of the mark-to-market debt adjustment related to the payoff of the secured mortgages with Fannie Mae, partially offset by a cash prepayment penalty of \$1.6 million.

Net Casualty (Loss) Gain After Insurance and Other Settlement Proceeds

During the three months ended June 30, 2017, no significant insurance proceeds were received, as net casualty loss after insurance and other settlement proceeds of \$0.2 million was recorded. The net casualty gain after insurance and settlement proceeds of \$1.8 million recorded for the three months ended June 30, 2016, was primarily due to the receipt of insurance settlement payments related to loss claims.

Preferred Dividends Distributed

As a result of the Merger, for the three months ended June 30, 2017 we recorded a dividend distribution to holders of MAA Series I preferred stock of \$0.9 million. As there were no MAA Series I preferred shares issued and outstanding during the three months ended June 30, 2016, we did not record a preferred dividend distribution in that quarter.

Net Income Available for MAA Common Shareholders

Primarily as a result of the foregoing, net income available for MAA common shareholders increased by approximately \$2.2 million for the three months ended June 30, 2017 from the three months ended June 30, 2016.

Comparison of the six months ended June 30, 2017 to the six months ended June 30, 2016

Property Revenues

The following table shows our property revenues by segment for the six months ended June 30, 2017 and June 30, 2016 (dollars in thousands):

	Six months ended June 30,			Percentage Increase	
	2017	2016	Increase		
Large Market Same Store	\$333,971	\$322,679	\$11,292	3.5	%
Secondary Market Same Store	173,377	168,863	4,514	2.7	%
Same Store Portfolio	507,348	491,542	15,806	3.2	%
Non-Same Store and Other	254,351	49,710	204,641	411.7	%
Total	\$761,699	\$541,252	\$220,447	40.7	%

The increases in property revenues from our Large Market Same Store and Secondary Market Same Store segments are primarily a result of increased average effective rent per unit of 3.6% and 2.8%, respectively, as compared to the six months ended June 30, 2016. The increase in property revenues from our Non-Same Store and Other portfolio is primarily the result of the Merger, as we classified the properties we acquired as non-same store. See the discussion of our segment classification methodology in Note 13 (Segment Information) to the Condensed Consolidated Financial Statements included in this Report.

Property Operating Expenses

Property operating expenses include costs primarily consisting of property personnel, building repairs and maintenance, real estate taxes and insurance, utilities, and landscaping. The following table shows our property operating expenses by segment for the six months ended June 30, 2017 and June 30, 2016 (dollars in thousands):

	Six months ended June 30,			Percentage Increase	
	2017	2016	Increase		
Large Market Same Store	\$125,126	\$122,044	\$3,082	2.5	%
Secondary Market Same Store	64,596	62,724	1,872	3.0	%
Same Store Portfolio	189,722	184,768	4,954	2.7	%
Non-Same Store and Other	97,520	19,068	78,452	411.4	%
Total	\$287,242	\$203,836	\$83,406	40.9	%

The increase in property operating expenses from our Large Market Same Store segment is primarily a result of increases in real estate taxes of \$2.9 million. The increase in property operating expenses from our Secondary Market Same Store Segment is primarily a result of increases in real estate taxes of \$0.8 million, maintenance personnel expense of \$0.5 million, office personnel expense of \$0.2 million, and utilities expense of \$0.3 million. The increase in property expenses from our Non-Same Store and Other segment is primarily the result of the Merger.

Depreciation and Amortization

Depreciation and amortization expense for the six months ended June 30, 2017 was approximately \$256.4 million, an increase of \$105.5 million from the six months ended June 30, 2016. The increase in depreciation and amortization expense is primarily due to depreciation of \$76.2 million and amortization expenses of \$16.0 million resulting from the Merger, in addition to asset additions made in the normal course of business.

Property Management Expenses

Property management expenses for the six months ended June 30, 2017 were approximately \$21.7 million, an increase \$4.4 million of from the six months ended June 30, 2016. This increase is primarily due to the growth in our portfolio as a result of the Merger.

General and Administrative Expenses

General and administrative expenses for the six months ended June 30, 2017 were approximately \$22.4 million, an increase of \$8.8 million from the six months ended June 30, 2016. This increase is primarily driven by increases in corporate G&A expense as a result of the Post merger and legal expenses.

Merger and Integration Related Expenses

Merger and integration related expenses for the acquisition of Post Properties, were comprised primarily of approximately \$3.8 million legal costs and \$6.5 million of professional costs for the six months ended June 30, 2017. We did not incur any merger or integration related expenses for the six months ended June 30, 2016.

Interest and Other Non-property Income

Interest and other non-property income for the six months ended June 30, 2017 was approximately \$3.3 million, an increase of approximately \$3.2 million from the six months ended June 30, 2016. This increase is primarily driven by \$1.7 million year-to-date mark-to-market adjustments of the bifurcated embedded derivative (see FN 8).

Interest Expense

Interest expense for the six months ended June 30, 2017 was approximately \$75.1 million an increase of \$10.8 million from the six months ended June 30, 2016. The increase was due to increased borrowing as we assumed several loans as a result of the Merger, including a secured loan with a face value of \$186.0 million and two unsecured loans with face values of \$150

million and \$250 million. Additionally, we also entered into a new \$300.0 million term loan on the closing date of the Merger. During the second quarter of 2017 we issued a public bond with a face value of \$600 million, bearing interest at 3.60% per annum. The remainder of the increase was mainly due to interest related to the newly issued bond.

Gain on Debt Extinguishment

We recorded a gain on debt extinguishment of \$2.3 million for the six months ended June 30, 2017, an increase of approximately \$2.3 million from the six months ended June 30, 2016. This increase was primarily the result of a \$2.2 million net gain on debt extinguishment due to the write-off of the mark-to-market debt adjustment related to the payoff of the secured mortgages with Fannie Mae, partially offset by a cash prepayment penalty of \$1.6 million.

Gain on Sale of Non-depreciable Real Estate Assets

During the six months ended June 30, 2017, we recorded a gain on the sale of non-depreciable real estate assets related to the sale of \$48.0 thousand due to the disposition of land during the second quarter. During the six months ended June 30, 2016 we recorded a gain on sale of non-depreciable real estate assets related to the sale of land of \$2.2 million due to the dispositions of land parcels at Colonial Grand at Heathrow, CP Huntsville, and Colonial Promenade Nord du Lac.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests for the six months ended June 30, 2017 was approximately \$3.4 million, a decrease of \$1.5 million from the six months ended June 30, 2016. This decrease is primarily due to the decrease in consolidated net income, which resulted from the factors listed above.

Preferred Dividends Distributed

As a result of the Merger, for the six months ended June 30, 2017 we recorded a dividend distribution to holders of preferred stock of \$1.8 million. As there were no MAA Series I preferred shares issued and outstanding during the six months ended June 30, 2016, we did not record a preferred dividend distribution in that period.

Net Income Available for MAA Common Shareholders

Primarily as a result of the foregoing, net income available for MAA common shareholders decreased by approximately \$0.2 million for the six months ended June 30, 2017 from the six months ended June 30, 2016.

Funds from Operations

Funds from operations, or FFO, a non-GAAP financial measure, represents net income available for common shareholders (computed in accordance with GAAP) excluding extraordinary items, asset impairment, gains or losses on disposition of real estate assets, plus net income available to noncontrolling interests, depreciation and amortization of real estate, and adjustments for joint ventures to reflect FFO on the same basis.

FFO should not be considered as an alternative to net income or any other GAAP measurement of performance, as an indicator of operating performance or as an alternative to cash flow from operating, investing, and financing activities as a measure of liquidity. Management believes that FFO is helpful to investors in understanding our operating performance primarily because its calculation excludes depreciation and amortization 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 available for MAA common shareholders for the three and six months ended June 30, 2017 and June 30, 2016 (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net income available for MAA common shareholders	\$47,393	\$45,144	\$88,376	\$88,557
Depreciation and amortization of real estate assets	125,344	74,901	254,312	149,223
Gain on sale of depreciable real estate assets	(274)	(68)	(201)	(823)
Loss on disposition within unconsolidated entities	—	98	—	98
Depreciation and amortization of real estate assets of real estate joint ventures	150	5	302	11
Net income attributable to noncontrolling interests	1,840	2,486	3,351	4,881
Funds from operations attributable to the Company	\$174,453	\$122,566	\$346,140	\$241,947

FFO for the three months ended June 30, 2017 increased approximately \$51.9 million from the three months ended June 30, 2016 primarily as a result of the increase in total property revenues of approximately \$110.6 million which was offset by the increases in property operating expenses, excluding depreciation and amortization, of \$43.0 million, property management expenses of \$2.4 million, general and administrative expenses of \$2.5 million, and merger and integration related expenses of \$4.2 million.

FFO for the six months ended June 30, 2017 increased approximately \$104.2 million from the six months ended June 30, 2016 primarily as a result of the increase in total property revenues of approximately \$220.4 million which was offset by the increases in property operating expenses, excluding depreciation and amortization, of \$83.4 million, property management expenses of \$4.4 million, general and administrative expenses of \$8.8 million, and merger and integration related expenses of \$10.4 million. The majority of the remaining variance was attributable to an increase in interest expense of \$10.8 million, offset by an increase in interest and other non-property income of \$3.2 million.

Trends

During the three months ended June 30, 2017, demand for apartments continued to be strong, as it was during the three months ended June 30, 2016. Our same store portfolio (which excludes properties acquired through the Merger) physical occupancy ended June 30, 2017 at a strong 96.7% and average daily physical occupancy for our same store

portfolio was 96.3% for the quarter, in line with the three months ended June 30, 2016. Our same store average effective rent per unit continued to grow, up 3.2% in the three months ended June 30, 2017 as compared to the three months ended June 30, 2016.

An important part of our portfolio strategy is to maintain a diversity of markets, submarkets, product types and price points across the Southeast and Southwest regions of the United States. This diversity tends to mitigate exposure to economic issues in any one geographic market or area. We believe that a well-balanced portfolio, including inner loop, suburban, and downtown/CBD locations, and various monthly rent price points will perform well in “up” cycles as well as weather “down” cycles better. Currently, MAA is invested in 39 defined MSAs, diversified across both large markets and secondary markets, urban and suburban submarkets, and a variety of monthly rent pricing points.

According to U.S. Census Bureau data, as of May 2017, multifamily permitting across MAA's markets was down 6% as compared to May 2016. While the permitting activity in 2015 and 2016 has led to an increase in supply as compared to recent years, we believe the lack of new apartments in those years, the current downward trend of multifamily permitting, and the demand from new households will help keep supply and demand essentially in balance in most markets. Also, we believe that more disciplined credit terms for residential mortgages should continue to favor rental demand at existing multifamily properties. Furthermore, rental competition from single family homes has not been a major competitive factor impacting our portfolio. For the three months ended June 30, 2017, total move outs attributable to single family home rentals for our same store portfolio was less than 7% of total move outs, compared to about 6% for the three months ended June 30, 2016. We have seen significant rental competition from single family homes in only a few of our submarkets. Long term, we expect demographic trends (including the growth of prime age groups for rentals and immigration and population movement to the Southeast and Southwest) will continue to support apartment rental demand for our markets.

Our focus is on maintaining strong physical occupancy while increasing pricing where possible through our revenue management system. As noted above, physical occupancy for our same store portfolio ended June 2017 strong and the average for the three months ended June 30, 2017 was in line with the level we achieved in the three months ended June 30, 2016. As we continue through the typically strong summer leasing season, the current level of physical occupancy puts us in a good position to produce strong pricing in the third quarter of 2017.

As a result of the Merger, we continue to combine best practices across the entire portfolio that we believe will ultimately enable us to capture more revenues and reduce expenses. Likewise, we believe our scale as a result of the Merger will help achieve efficiencies and create additional buying power that will benefit our properties acquired as part of the Merger as well as our properties that were owned prior to the Merger.

Liquidity and Capital Resources

Our cash flows from operating, investing and financing activities, as well as general economic and market conditions, are the principal factors affecting our liquidity and capital resources. The significant changes in cash due to operating, investing and financing activities for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016 are as follows:

Operating Activities

Net cash flow provided by operating activities increased to \$321.8 million for the six months ended June 30, 2017 compared to \$238.2 million for the six months ended June 30, 2016. This change was a result of various items relating to operating performance, including higher revenues as discussed above.

Investing Activities

Net cash used in investing activities during the six months ended June 30, 2017 was \$189.4 million compared to net cash used in investing activities during the six months ended June 30, 2016 of \$185.4 million. The primary drivers of this change were as follows:

	Primary drivers of cash (outflow)/inflow during the six months ended June 30,				Percentage Increase/(Decrease) in Net Cash	
	2017	2016	Increase(Decrease)/ in Net Cash			
Purchases of real estate and other assets	\$(62,817)	\$(130,597)	\$ 67,780		51.9	%

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Proceeds from disposition of real estate assets	\$ 1,551	\$38,001	\$ (36,450	) (95.9	)%
Return of escrow for future acquisitions	\$58,259	\$—	\$ 58,259	100.0	%
Development	\$(109,720)	\$(29,156	) \$ (80,564	) (276.3	)%

The decrease in purchases of real estate and other assets resulted from the acquisition of one apartment community during the six months ended June 30, 2017, compared to the acquisition of two apartment communities during the six months

ended June 30, 2016. The decrease in proceeds from the disposition of real estate assets resulted from the sale of two land parcels during the six months ended June 30, 2017, compared to the sale of one commercial property and three land parcels during the six months ended June 30, 2016. The increase in cash inflows from the return of escrow for future acquisitions was a result of the funding release of one expected 1031(b) transaction that never occurred during the six months ended June 30, 2017, compared to no 1031(b) transaction activity during the six months ended June 30, 2016. The increase in cash outflows for development resulted from the timing of development spending for projects commencing during the six months ended June 30, 2017, and the increase in our development pipeline as a result of the Merger.

Financing Activities

Net cash used in financing activities increased to \$126.3 million for the six months ended June 30, 2017 compared to \$64.1 million for the six months ended June 30, 2016. The primary drivers of this change were as follows:

	Primary drivers of cash (outflow)/inflow during the six months ended June 30,				Percentage (Decrease)/Increase in Net Cash	
	2017	2016	(Decrease)/Increase in Net Cash			
Net change in credit lines	\$(330,000)	\$105,000	\$	(435,000)	(414.3)	)%
Proceeds from notes payable	\$597,480	\$—	\$	597,480	100.0	%
Principal payments on notes payable	\$(178,164)	\$(37,261)	\$	(140,903)	(378.2)	)%
Payment of deferred financing costs	\$(5,257)	\$(141)	\$	(5,116)	(3,628.4)	)%
Dividends paid on common shares	\$(197,602)	\$(123,774)	\$	(73,828)	(59.6)	)%

The increase in cash outflows related to the net change in credit lines resulted from the decrease in net borrowings of \$330.0 million on the KeyBank Facility during the six months ended June 30, 2017, compared to the increase in net borrowings of \$105.0 million on the KeyBank Facility during the six months ended June 30, 2016. The increase in proceeds from notes payable during the six months ended June 30, 2017 relates to the May 2017 issuance of senior unsecured notes discussed in Note 7; there was no debt issuance during the six months ended June 30, 2016. The increase in cash outflows from principal payments on notes payable primarily resulted from paying off approximately \$172.2 million of secured property mortgages during the six months ended June 30, 2017 compared to paying off approximately \$33.6 million of secured property mortgages during the six months ended June 30, 2016. The increase in cash outflows from the payment of deferred financing costs primarily resulted from deferred financing costs incurred in Q2 2017 as a result of the May 2017 bond issuance. The increase in cash outflows from dividends paid on common shares primarily resulted from the increased number of common shares outstanding resulting from the Merger and the increase in the dividend rate to \$1.74 per share during the six months ended June 30, 2017 compared to dividend rate of \$1.64 per share during the six months ended June 30, 2016.

Net cash provided by operating activities (computed in accordance with GAAP) was in excess of our funding of normal capital improvements to existing real estate assets, distributions to common unitholders and dividends paid on common shares for both the six months ended June 30, 2017 and 2016. While we had sufficient liquidity to permit common share 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 common shareholders at the current rate, in which event we would be required to reduce the distribution rate.

We believe that we have adequate resources to fund our current operations, annual refurbishment of our properties, and incremental investment in new properties. To the extent additional capital resources are required or deemed desirable, we may, from time to time, issue equity or debt securities.

Equity

As of June 30, 2017, MAA owned 113,607,734 OP Units, comprising a 96.4% limited partnership interest in the Operating Partnership, while the remaining 4,215,678 outstanding OP Units were held by third party limited partners of the Operating Partnership. Holders of OP Units (other than MAA and its corporate affiliates) may require us to redeem their OP Units from time to time, in which case MAA may, at its option, pay the redemption price either in cash (in an amount per OP Unit equal, in general, to the average closing price of MAA's common stock on the New York Stock Exchange over a specified

period prior to the redemption date) or by delivering one share of MAA's common stock (subject to adjustment under specified circumstances) for each OP Unit so redeemed. In addition, MAA has registered under the Securities Act the 4,215,678 shares of its common stock, that as of June 30, 2017, were issuable upon redemption of OP Units, so that those shares can be sold freely in the public markets.

For more information regarding our equity capital resources, see Note 10 and Note 11 to the Condensed Consolidated Financial Statements included in this Report.

Debt

The following schedule outlines our variable and fixed rate debt, including the impact of interest rate swaps and caps, outstanding as of June 30, 2017 (dollars in thousands):

	Principal Balance	Average Years to Rate Maturity	Effective Rate	
SECURED DEBT				
Conventional - Fixed Rate or Swapped	\$950,145	2.2	4.0	%
Conventional - Variable Rate - Capped ⁽¹⁾	50,000	0.8	1.6	%
Total Fixed or Hedged Rate Maturity	\$1,000,145	2.1	3.8	%
Conventional - Variable Rate	110,000	0.1	1.6	%
Fair Market Value Adjustments and Debt Issuance Costs	19,851			
Total Secured Indebtedness	\$1,129,996	1.9	3.6	%
UNSECURED DEBT				
Fixed Rate or Swapped	\$3,010,000	5.0	3.8	%
Variable Rate	460,000	0.1	2.0	%
Fair Market Value Adjustments, Debt Issuance Costs and Discounts	(26,944)			
Total Unsecured Indebtedness	\$3,443,056	4.9	3.6	%
TOTAL DEBT RATE MATURITY	\$4,573,052	4.2	3.6	%
TOTAL FIXED OR HEDGED DEBT RATE MATURITY	\$4,003,886	4.8	3.8	%

(1) The effective rate represents the average rate on the underlying variable debt unless the cap rates are reached, which average 4.5% of LIBOR for conventional caps.

As of June 30, 2017, we had entered into interest rate swaps totaling a notional amount of \$550.0 million related to issued debt. 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 \$50.0 million as of June 30, 2017.

The following schedule outlines the contractual maturity dates of our outstanding debt, net of fair market value adjustments, debt issuance costs and discounts, as of June 30, 2017 (dollars in thousands):

	Amount Borrowed Credit Facilities				
	Key Bank Unsecured	Public Bonds	Other Unsecured	Secured	Total
2017	\$—	\$151,002	\$17,991	\$94,072	\$263,065
2018	—	—	300,468	167,659	468,127
2019	—	—	19,958	566,643	586,601

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2020	160,000	—	149,721	164,958	474,679
2021	—	—	221,989	125,611	347,600
Thereafter	—	1,974,136	447,791	11,053	2,432,980
Total	\$160,000	\$2,125,138	\$1,157,918	\$1,129,996	\$4,573,052

43

The following schedule outlines the interest rate maturities of our outstanding fixed or hedged debt, net of fair market value adjustments, debt issuance costs and discounts, as of June 30, 2017 (dollars in thousands):

	Fixed Rate Debt	Interest Rate Swaps	Total Fixed Rate Balances	Contract Rate	Interest Rate Caps	Total Fixed or Hedged
2017	\$183,066	\$—	\$183,066	4.6 %	\$25,000	\$208,066
2018	137,609	250,518	388,127	3.7 %	25,000	413,127
2019	586,602	—	586,602	5.9 %	—	586,602
2020	164,958	299,046	464,004	3.7 %	—	464,004
2021	198,155	—	198,155	5.2 %	—	198,155
Thereafter	2,133,932	—	2,133,932	3.8 %	—	2,133,932
Total	\$3,404,322	\$549,564	\$3,953,886	4.2 %	\$50,000	\$4,003,886

Unsecured Revolving Credit Facility

On October 15, 2015, the Operating Partnership entered into a \$750.0 million unsecured revolving credit facility agreement with a syndicate of banks led by KeyBank, or the KeyBank Facility. This credit facility replaced the Operating Partnership's previous unsecured credit facility with KeyBank. The interest rate is determined using an investment grade pricing grid using LIBOR plus a spread of 0.85% to 1.55%. On December 1, 2016, the Operating Partnership amended the KeyBank Facility by increasing the borrowing capacity to \$1.0 billion. As of June 30, 2017, we had \$160 million borrowed under the KeyBank Facility, bearing interest at a rate of LIBOR plus 0.90%. The KeyBank Facility serves as our primary source of short term liquidity and has an accordion feature that we may use to expand its capacity to \$1.5 billion. This facility matures on April 15, 2020.

Unsecured Term Loans

In addition to the KeyBank facility, we maintain four unsecured term loans. We had total borrowings of \$850 million outstanding under these term loan agreements at June 30, 2017, comprised of:

A \$250.0 million term loan with Wells Fargo that bears interest at a rate of LIBOR plus a spread of 0.90% to 1.90% based on the credit ratings of our unsecured debt. The loan matures on August 1, 2018. As of June 30, 2017, this loan was bearing interest at a rate of LIBOR plus 0.98%.

A \$150.0 million term loan with U.S. Bank that bears interest at a rate of LIBOR plus a spread of 0.90% to 1.90% based on the credit ratings of our unsecured debt. The loan matures on March 1, 2020. As of June 30, 2017, this loan was bearing interest at a rate of LIBOR plus 0.98%.

A \$150.0 million term loan with KeyBank that bears interest at a rate of LIBOR plus a spread of 0.90% to 1.75% based on the credit ratings of our unsecured debt. The loan matures on March 1, 2021. As of June 30, 2017, this loan was bearing interest at a rate of LIBOR plus 0.95%.

A \$300.0 million term loan with Wells Fargo that bears interest at a rate of LIBOR plus a spread of 0.90% to 1.75% based on the credit ratings of our unsecured debt. The loan matures on March 1, 2022. As of June 30, 2017, this loan was bearing interest at a rate of LIBOR plus 0.95%.

Senior Unsecured Notes

We have also issued both public and private unsecured notes. As of June 30, 2017, we had approximately \$2.2 billion (face value) of publicly issued notes and \$310 million of unsecured notes issued in two private placements. In October 2013, we publicly issued \$350 million of senior unsecured notes due 2023 with a coupon of 4.30%, paid semi-annually on April 15 and October 15. In June 2014, we publicly issued \$400 million of senior unsecured notes due 2024 with a coupon of 3.75%, paid semi-annually on June 15 and December 15. In November 2015, we publicly issued \$400 million of senior unsecured notes due 2025 with a coupon of 4.00%, paid semi-annually on May 15 and November 15. As a result of the Merger in December 2016, we assumed two series of publicly traded senior notes totaling \$400 million. One series of senior notes assumed as a result of the Merger has a face value of \$250 million, is due 2022, and has a coupon of 3.38% paid semiannually

on June 1 and December 1. The other series of senior notes assumed as a result of the Merger has a face value of \$150 million, is due 2017, and has a coupon of 4.75% paid semi-annually on April 15 and October 15. In May 2017, we publicly issued \$600.0 million of senior unsecured notes due June 1, 2027 with a coupon of 3.60%, paid semi-annually on June 1 and December 1. The proceeds from the notes issued in May 2017 were used to pay down outstanding amounts of the Unsecured Revolving Credit Facility. As of June 30, 2017, all of these amounts remained outstanding.

On July 29, 2011, we issued \$135.0 million of senior unsecured notes. The notes were offered in a private placement with three maturity tranches: \$50.0 million at 4.7% maturing on July 29, 2018, \$72.8 million at 5.4% maturing on July 29, 2021; and \$12.3 million at 5.6% maturing on July 29, 2023; all of which were outstanding at June 30, 2017.

On August 31, 2012, we issued \$175.0 million of senior unsecured notes. The notes were offered in a private placement with four maturity tranches: \$18.0 million at 3.15% maturing on November 30, 2017; \$20.0 million at 3.61% maturing on November 30, 2019; \$117.0 million at 4.17% maturing on November 30, 2022; and \$20.0 million at 4.33% maturing on November 30, 2024; all of which were outstanding at June 30, 2017.

Secured Credit Facility

Approximately 3.5% of our outstanding obligations at June 30, 2017 were borrowed through a credit facility credit enhanced by Fannie Mae, also referred to as the Fannie Mae Facility. The Fannie Mae Facility has a combined line limit of \$160.0 million, of which \$160.0 million was collateralized, available to borrow, and borrowed at June 30, 2017. Various Fannie Mae rate tranches of the Fannie Mae Facility mature from 2017 through 2018.

Secured Property Mortgages

We also maintain secured property mortgages with Fannie Mae, Freddie Mac, and various life insurance companies. These mortgages are usually fixed rate and can range from five to 10 years in maturity. As of June 30, 2017, we had \$950 million of secured property mortgages.

For more information regarding our debt capital resources, see Note 7 to the Condensed Consolidated Financial Statements included in this Report.

Contractual Obligations

The following table reflects our total contractual cash obligations which consist of our long-term debt, development fees and operating leases as of June 30, 2017 (dollars in thousands):

Contractual Obligations (1)	2017	2018	2019	2020	2021	Thereafter	Total
Long-Term Debt Obligations (2)	\$267,693	\$476,626	\$570,127	\$468,284	\$342,903	\$2,454,512	\$4,580,145
Fixed Rate or Swapped Interest (3)	87,701	142,704	109,231	97,804	89,454	270,524	797,418
Purchase Obligations (4)	1,122	542	—	—	—	—	1,664
Operating Lease Obligations (5)	585	839	689	708	718	63,521	67,060
Total	\$357,101	\$620,711	\$680,047	\$566,796	\$433,075	\$2,788,557	\$5,446,287

(1) Fixed rate and swapped interest are shown in this table. The average interest rates of variable rate debt are shown in preceding tables.

(2) Represents principal payments gross of discounts, debt issuance costs and fair market value of debt assumed.

(3) Swapped interest is subject to the ineffective portion of cash flow hedges as described in Note 8 to the Condensed Consolidated Financial Statements included in this Report.

(4) Represents development fees.

(5) Primarily comprised of a ground lease underlying one apartment community we own.

Off-Balance Sheet Arrangements

As of June 30, 2017, we had a 35% ownership interest in the Post Massachusetts Avenue joint venture, which consists of 269 units, located in Washington, D.C. Our investment in this real estate joint venture is unconsolidated and is recorded using the equity method for the joint ventures in which we do not have a controlling interest.

At June 30, 2017 and 2016, we did not have any relationships, including those with unconsolidated entities or financial partnerships, for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

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 Note 14 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the SEC on February 24, 2017.

Insurance

We renegotiated our insurance programs effective July 1, 2017. We believe that our current property and casualty insurance program in place provides appropriate insurance coverage for financial protection against insurable risks such that any insurable loss experienced that can be reasonably anticipated would not have a significant impact on our liquidity, financial position or results of operations.

Inflation

Our resident leases at the apartment communities allow, at the time of renewal, for adjustments in the rent payable thereunder, 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 our risk to adverse effects of inflation.

Impact of Recently Issued Accounting Standards

Note 15 to the Condensed Consolidated Financial Statements included in this Report provides a brief description of recent accounting pronouncements that could have a material effect on our financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. Our primary market risk exposure is to changes in interest rates on our borrowings. At June 30, 2017, 26.9% of our total market capitalization consisted of borrowings. Our interest rate risk objective is to limit the impact of interest rate fluctuations on earnings and cash flows and to lower our overall borrowing costs. To achieve this objective, we manage our exposure to fluctuations in market interest rates for borrowings through the use of fixed rate debt instruments and interest rate swaps and caps, which mitigate our interest rate risk on a related financial instrument and effectively fix or cap the interest rate on a portion of our variable debt or on future refinancings. We use our best efforts to have our debt instruments mature across multiple years, which we believe limits our exposure to interest rate changes in any one year. We do not enter into derivative instruments for trading or other speculative purposes. At June 30, 2017, approximately 87.6% of our outstanding debt was subject to fixed or capped rates after considering related derivative instruments. We regularly review interest rate exposure on outstanding borrowings in an effort to minimize the risk of interest rate fluctuations.

There have been no material changes in our market risk as disclosed in the Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on February 24, 2017.

Item 4. Controls and Procedures.

Mid-America Apartment Communities, Inc.

Management's Evaluation of Disclosure Controls and Procedures

MAA's management, with the participation of MAA's Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of MAA's disclosure controls and procedures as of June 30, 2017 pursuant to Exchange Act Rule 13a-15. Based on that evaluation, MAA's Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of June 30, 2017 to ensure that information required to be disclosed by MAA in its Exchange Act filings is accurately recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to MAA's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change to MAA's internal control over financial reporting, as that term is defined in Rule 13a-15(f) under the Exchange Act, that occurred during the quarter ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, MAA's internal control over financial reporting.

Mid-America Apartments, L.P.

Management's Evaluation of Disclosure Controls and Procedures

Management of the Operating Partnership, with the participation of the Chief Executive Officer and Chief Financial Officer of MAA, as the general partner of the Operating Partnership, carried out an evaluation of the effectiveness of the Operating Partnership's disclosure controls and procedures as of June 30, 2017 pursuant to Exchange Act Rule 15d-15. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer of MAA, as the general partner of the Operating Partnership, concluded that the disclosure controls and procedures were effective as of June 30, 2017 to ensure that information required to be disclosed by the Operating Partnership in its Exchange Act filings is accurately recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to the Operating Partnership's management, including the Chief Executive Officer and Chief Financial Officer of MAA, as the general partner of the Operating Partnership, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change to the Operating Partnership's internal control over financial reporting, as that term is defined in Rule 15d-15(f) under the Exchange Act, that occurred during the quarter ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

In September 2010, the United States Department of Justice, or the DOJ, filed suit against Post Properties (and by virtue of the Merger, MAA) in United States District Court for the District of Columbia alleging that certain of MAA's apartments violated accessibility requirements of the Fair Housing Act, or the FHA, and the Americans with Disabilities Act of 1990, or the ADA. The DOJ is seeking, among other things, an injunction against MAA, requiring MAA to retrofit the properties and comply with FHA and ADA standards in future design and construction, as well as monetary damages and civil penalties. No trial date has been set.

In addition, we are subject to various legal proceedings and claims that arise in the ordinary course of our business operations. Matters which arise out of allegations of bodily injury, property damage, and employment practices are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, we currently believe the final outcome of such matters will not have a material adverse effect on our financial position, results of operations or cash flows.

For more information regarding our legal proceedings, see Note 12 to the Condensed Consolidated Financial Statements included in this Report.

Item 1A. Risk Factors.

There have been no material changes to the risk factors that were discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016, which we filed with the SEC on February 24, 2017.

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

The following chart shows repurchases of shares for the three-month period ended June 30, 2017:

MAA Purchases of Equity Securities

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares (or Units) That May Yet be Purchased Under the Plans or Programs (1)
April 1, 2017 - April 30, 2017	—	\$	—	4,000,000
May 1, 2017 - May 31, 2017	—	\$	—	4,000,000
June 1, 2017 - June 30, 2017	—	\$	—	4,000,000
Total	—	\$	—	4,000,000

(1) This reflects the number of shares of MAA's common stock that were available for purchase under the 4,000,000 share repurchase program authorized by MAA's Board of Directors in December 2015.

Item 3. Defaults Upon Senior Securities.

Not Applicable.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

Not Applicable.

48

Item 6. Exhibits.

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

Exhibit

Number	Exhibit Description
	Underwriting Agreement, dated May 2, 2017, by and among Mid-America Apartments, L.P., Wells Fargo Securities, LLC, Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Jefferies LLC and U.S. Bancorp Investments, Inc., as representatives of the several underwriters listed on Schedule 1 thereto (filed as Exhibit 1.1 to the Registrant's Current Report on Form 8-K filed on May 3, 2017 and incorporated herein by reference).
1.1	
	Agreement and Plan of Merger dated August 15, 2016, by and among Mid-America Apartment Communities, Inc., Mid-America Apartments, L.P., Post Properties, Inc., Post GP Holdings, Inc. and Post Apartment Homes, L.P., (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on August 15, 2016 and incorporated herein by reference).
2.1	
	Indenture, dated May 9, 2017, by and between Mid-America Apartments, L.P. and U.S. Bank National Association (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K on May 9, 2017 and incorporated herein by reference).
4.1	
	First Supplemental Indenture, dated May 9, 2017, by and between Mid-America Apartments, L.P. and U.S. Bank National Association (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K on May 9, 2017 and incorporated herein by reference).
4.2	
11.1	Statement re Computation of Per Share Earnings (included within this Quarterly Report on Form 10-Q)
12.1	Statements re Computation of Consolidated Ratio of Earnings to Fixed charges for MAA
12.2	Statements re Computation of Consolidated Ratio of Earnings to Fixed charges for MAALP
31.1	Certification of Chief Executive Officer of MAA Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer of MAA Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	Certification of Chief Executive Officer of MAA, in its capacity as general partner of MAALP, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.4	Certification of Chief Financial Officer of MAA, in its capacity as general partner of MAALP, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer of MAA Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith
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The following financial information from Mid-America Apartment Communities, Inc.'s (MAA) and Mid-America Apartments, L.P.'s (MAALP) Report for the period ended June 30, 2017, filed with the SEC on July 27, 2017, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets as of June 30, 2017 (Unaudited) and December 31, 2016 (Unaudited); (ii) the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2017 (Unaudited) and 2016 (Unaudited); (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2017 (Unaudited) and 2016 (Unaudited); (iv) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 (Unaudited) and 2016 (Unaudited); and (v) Notes to Condensed Consolidated Financial Statements (Unaudited).

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: July 27, 2017 /s/Albert M. Campbell, III
Albert M. Campbell, III
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

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.

By: MID-AMERICA APARTMENTS, L.P.
Mid-America Apartment Communities, Inc., its general partner

Date: July 27, 2017 /s/Albert M. Campbell, III
Albert M. Campbell, III
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

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