

MID AMERICA APARTMENT COMMUNITIES INC
Form 8-K
November 06, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

Form 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934

November 6, 2002
Date of Report (Date of earliest event reported)

MID-AMERICA APARTMENT COMMUNITIES, INC.
(Exact Name of Registrant as Specified in Charter)

| | | |
|--------------------------|--------------------------|--|
| TENNESSEE | 1-12762 | 62-1543819 |
| (State of Incorporation) | (Commission File Number) | (I.R.S. Employer Identification Number) |

6584 POPLAR AVENUE, SUITE 300
MEMPHIS, TENNESSEE 38138
(Address of principal executive offices)

(901) 682-6600
(Registrant's telephone number, including area code)

(Former name or address, if changed since last report)

ITEM 9. Regulation FD
Investor Presentation

Mid-America Apartment Communities, Inc.

Investor Update
November, 2002

Creating Great Places to Live

Mid-America Apartment Communities

[Map highlights market presence in the following states]

Ohio
Virginia
Kentucky
North Carolina
Tennessee
Arkansas
South Carolina
Georgia
Alabama
Mississippi
Texas
Florida

Solid Diversification In The Stable and Growing Southeast Region

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At September 30, 2002

| | Number of Units | Portfolio Concentration | MAA Occupancy |
|----------------|--------------------|----------------------------|------------------|
| Tennessee | 7,002 | 21% | 93% |
| Florida | 6,484 | 20% | 95% |
| Georgia | 6,499 | 20% | 94% |
| Texas | 4,312 | 13% | 92% |
| South Carolina | 2,276 | 7% | 94% |
| Mississippi | 1,673 | 5% | 96% |
| Kentucky | 1,548 | 5% | 94% |
| Alabama | 952 | 3% | 94% |
| Arkansas | 808 | 2% | 97% |
| North Carolina | 738 | 2% | 91% |
| Ohio | 414 | 1% | 89% |
| Virginia | 296 | 1% | 97% |
| Total | 33,002 | 100% | 94% |

Excludes 921 new units in lease-up (all located in TN) 85% leased as of September 30, 2002.

Southeast and South Central US Focus...
Growth Markets, Lower Volatility

[X] Southeast markets are positioned for long term growth
>> higher job growth and household formations
>> positive immigration trends.

[X] Geographic and market diversity creates stable revenues
>> large metro cities
>> middle tier markets
>> smaller tertiary markets
>> 41 different markets across the southeast, south central US.

[X] Superior locations, moderate priced product serving largest market segment, generates long term & steady growing value.

Southeast and South Central US Focus...
Growth Markets, Lower Volatility

[X] Strong regional focused operation
>> in-depth market knowledge
>> operating economies
>> "hands on" attention to properties.

[X] Unlike most apartment REITS, no current development exposure...in position to capture increasing market opportunities.

[X] MAA's earnings projections and results more recession resistant. Since Q4 2001:
>> All apartment REITS adjust 2002 estimates down by 9%
>> MAA adjusts down by 3%.

New Supply Levels Trending Down

Expected Apartment Construction Completions For Major MAA Markets REIS, Inc.

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| | MAA Concentration | 2001 Units Delivered | 2002 Units Delivered | Change 2002 - 2001 |
|--------------|----------------------|-------------------------|-------------------------|-----------------------|
| Memphis | 13.5% | 3,093 | 1,461 | -52.8% |
| Jacksonville | 8.6% | 1,347 | 1,300 | -3.5% |
| Atlanta | 6.4% | 8,774 | 7,126 | -18.8% |
| Dallas | 6.2% | 4,611 | 3,990 | -13.5% |
| Austin | 3.8% | 7,497 | 3,914 | -47.8% |
| Houston | 3.0% | 4,412 | 3,701 | -16.1% |
| Nashville | 2.9% | 1,039 | 1,134 | 9.1% |
| Cincinnati | 1.3% | 1,920 | 1,591 | -17.1% |
| Totals | | 32,693 | 24,217 | -25.9% |

Forward Supply/Demand Index for the Apartment Sector, Ranking of the Top 54 Largest Markets in the US (per CSFB Apartment Sector Review, October 2002):

| | |
|---------------------|------------------|
| #1 Nashville | #10 Austin |
| #2 Memphis | #21 Tampa |
| #3 Raleigh, Cary | #44 Jacksonville |
| #5 Dallas/Ft. Worth | #45 Houston |
| #8 Atlanta | #51 Orlando |

Strong Property Management Team

- [X] 25 years of experience in all phases of the real estate cycle.
- [X] Strong emphasis on training, property maintenance and capital improvement with extensive support & monitoring.
- [X] Long record of success in creating value
 - >> Capital improvements
 - >> Effective leasing and occupancy management
 - >> Aggressive utility billing initiatives
 - >> Ancillary income programs
 - >> Creative operating efficiencies.
- [X] MAA properties consistently outperform market occupancy levels and rent growth.

High Quality Assets Protect Share Value

- [X] Among the newest portfolios of all apartment REITs (~12 years).
- [X] \$300mm of new communities added in the last 4 years.
- [X] Portfolio continuously improved with steady capital infusion.
- [X] Sold \$110mm of properties over the last 3 years; average age of 20 years at very attractive prices.
- [X] Solid rental product appealing to the largest segment of the renter market.

Conservative Financing Policy

- [X] Refinancing of \$184 million of debt maturities through 2003 has been arranged through Fannie Mae:
 - >> Fannie Mae credit facility increased from \$300 million to \$550 million

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- >> Asset underwriting in process
- >> The interest rate on 95% of these refinancings has been preset through forward swaps, locking rates at 0.6% below existing rates.

[X] At June 30th, 87% of debt was fixed rate.

[X] Fixed interest maturities are laddered over 10 years.

Current Situation & Outlook

[X] \$2.34/year dividend, 9.6% yield at \$24.50.

[X] Tough operating environment expected until latter part of 2003; long-term very good.

[X] Capacity to purchase improving; very active in the acquisition market.

[X] Remaining very disciplined with capital deployment.

[X] Dividend coverage solid and improving.

Current Market Pricing of MAA Offers

Discount to Underlying Value

| | Current | Stabilized |
|--------------------------------------|-------------|-------------|
| Current Property Value | \$1,383,040 | \$1,383,040 |
| NOI Stabilization Value | | 69,405 |
| New Development at Cost | 103,588 | 103,588 |
| Cash | 21,544 | 21,544 |
| Other Assets (less goodwill) | 34,094 | 34,094 |
| Value of Below Market Cost Financing | 21,555 | 21,555 |
| Debt and Other Liabilities | (827,703) | (827,703) |
| Preferred Stock | (173,500) | (173,500) |
| Net Asset Value | \$ 562,618 | \$ 632,023 |
| Common Equity Shares/Units | 20,690 | 20,690 |
| Net Asset Value Per Share | \$ 27.19 | \$ 30.55 |

Based on 8.6% cap rate - equal to the average pricing achieved on property sold over the last 3 years

MAA Sells at a Discount to Value

[X] Free Cash Flow covers dividend by \$800 thousand (4 cents/share).

[X] However, Funds Available for Distribution (FAD) short of dividend coverage by 19 cents/share (\$3.8 million).

[X] Active plans in place to increase FFO earnings and strengthen dividend coverage

- >> High quality assets, well maintained and in strong position to increase earnings as the economy recovers and interest rate environment changes
- >> New development pipeline becoming increasingly fully productive
- >> New acquisition initiative with Crow Holdings in place.

Strategy

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- [X] Operate well what we have...protect value.
- [X] Strengthen dividend coverage through earnings growth
 - >> improve same store market conditions
 - >> lease-up opportunity from recently completed development.
- [X] Execute new acquisition JV initiative
 - >> provides additional earnings potential
 - >> platform to recycle capital.
- [X] Continue to increase portfolio diversification
 - >> allocate more capital to vibrant rent growth markets
 - >> build operating mass in these select markets.

Increased Earnings Potential -
New Development

Reserve at Dexter Lake
Memphis, TN
740 units

Reserve at Dexter Lake
Memphis, TN
740 units

Increased Earnings Potential -
New Development

Grand Reserve
Lexington, KY
370 units

Kenwood Club
Katy, TX
320 units

Acquisition JV With Crow Holdings

- [X] \$150mm acquisition capacity; \$50mm equity
- [X] MAA 1/3 equity (\$17mm); Crow 2/3 (\$33mm)
- [X] MAA providing acquisition, asset management, property management and financing structuring services
 - >> 4.0% management fee
- [X] Pari-passu investment returns until hurdle achieved; 50/50 split thereafter
- [X] Joint governance; 50/50 representation

Preston Hills Acquisition

- [X] Opportunity
 - >> New development with troubled lease up; motivated seller.
 - >> High quality asset located in high growth market and sub-market.
- [X] Value Creation
 - >> Purchased at well below replacement cost.
 - >> In need of "hands on operations" to provide stronger cash flows...lease expiration management, expense control.

Successful Record in Acquisition

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and Redevelopment

St. Augustine at the Lake
Jacksonville, FL
400 Units
60% increase in value above gross book basis

Kirby Station
Memphis, TN
371 Units
20% increase in value above gross book basis

Strong Common Shareholder Returns

[Column chart graphs the data below]

Annualized 3-Year Returns (at September 30, 2002)
(with dividends reinvested)

| | |
|---------------|--------|
| MAA Since IPO | 11.7% |
| MAA | 15.6% |
| MS REIT Index | 13.7% |
| DJIA | -8.2% |
| NASDAQ | -24.5% |

MAA Board of Directors

Insiders currently own 11.5% of MAA

| | |
|----------------------|--|
| H. Eric Bolton, Jr. | Chairman and CEO, Mid-America Apartments |
| Simon R.C. Wadsworth | Executive VP and CFO, Mid-America Apartments |
| Robert F. Fogelman | President, Fogelman Investment Company |
| John F. Flournoy | Chairman and CEO, Flournoy Development Co. |
| Alan B. Graf, Jr. | Executive VP and CFO, FedEx Corporation |
| John S. Grinalds | President, The Citadel |
| Ralph Horn | Chairman, First Tennessee National Corp. |
| Michael S. Starnes | President, M.S. Carriers |
| George E. Cates | Founder, former Chairman of the Board MAA |

MAA Investment Features

- [X] Attractive, safe current dividend yield - 9.6% at \$24.50 share price - with high return of capital component
- [X] Share price backed by solid asset value of \$26.00 to \$30.00 per share
- [X] Over 30% of the common dividend is not currently taxable...return of capital...generating very attractive after tax return
- [X] Growth plan in place to improve growth of FFO, value per share and dividend coverage
- [X] Stable history of 12% annual return to owners since IPO

Mid-America Apartment Communities

- [X] Better performance thru the recession...award winning and very well maintained properties, in diversified markets, catering to moderate priced rental market.
- [X] Experienced management, strong independent Board of Directors.

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- [X] Conservative strategy
 >> No development
 >> Sound debt strategy
 >> Balance sheet matched to business risk.
- [X] Solid dividend return and strengthening coverage; positioned to generate improved earnings growth.
- [X] Current market pricing offers meaningful discount to underlying value.

Mid-America Apartment Communities

www.maac.net

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: November 6, 2002 /s/Simon R.C. Wadsworth
Simon R.C. Wadsworth
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)