

**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 March 31, 2006

OR

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

For the transition period from _____ to _____

Commission File Number 1-10272

ARCHSTONE-SMITH OPERATING TRUST
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

90-0042860
(I.R.S. employer
identification no.)

9200 E Panorama Circle, Suite 400
Englewood, Colorado 80112
(Address of principal executive offices and zip code)

(303) 708-5959
(Registrant's telephone number, including area code)

(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 for the past 90 days.

Yes No

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

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

At April 26, 2006 there were approximately 29,539,980 of the Registrant's Class A-1 and Class B Common Units outstanding, held by non-affiliates.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Archstone-Smith Operating Trust

Condensed Consolidated Balance Sheets

(In thousands, except unit data)

	March 31, 2006 (Unaudited)	December 31, 2005
ASSETS		
Real estate	\$ 11,294,198	\$ 10,856,771
Real estate — held-for-sale	500,746	502,493
Less accumulated depreciation	<u>882,224</u>	<u>836,693</u>
	10,912,720	10,522,571
Investments in and advances to unconsolidated entities	<u>147,302</u>	<u>132,728</u>
Net investments	11,060,022	10,655,299
Cash and cash equivalents	23,747	13,638
Restricted cash in tax-deferred exchange escrow	179,742	495,274
Other assets	<u>389,439</u>	<u>302,967</u>
Total assets	<u>\$ 11,652,950</u>	<u>\$ 11,467,178</u>
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities:		
Unsecured credit facilities	\$ 84,709	\$ 394,578
Long-term unsecured debt	2,825,821	2,545,119
Mortgages payable	2,440,861	2,300,539
Mortgages payable — held-for-sale	91,029	93,113
Accounts payable	55,933	53,366
Accrued expenses and other liabilities	<u>294,239</u>	<u>311,673</u>
Total liabilities	<u>5,792,592</u>	<u>5,698,388</u>
Other common unitholders' interest, at redemption value (A-1 Common Units: 33,494,450 at March 31, 2006 and 33,910,022 at December 31, 2005)	<u>1,633,524</u>	<u>1,420,491</u>
Unitholders' equity:		
Perpetual Preferred Units	50,000	50,000
Common unitholders' equity (A-2 Common Units: 214,368,067 units at March 31, 2006 and 212,413,939 units at December 31, 2005)	4,172,233	4,300,019
Accumulated other comprehensive income (loss)	<u>4,601</u>	<u>(1,720)</u>
Total unitholders' equity	<u>4,226,834</u>	<u>4,348,299</u>
Total liabilities and unitholders' equity	<u>\$ 11,652,950</u>	<u>\$ 11,467,178</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

Archstone-Smith Operating Trust

Condensed Consolidated Statements of Earnings

(In thousands, except per unit amounts)
(Unaudited)

	Three Months Ended March 31,	
	2006	2005
Revenues:		
Rental revenues	\$ 266,809	\$ 191,928
Other income	16,216	5,127
	283,025	197,055
Expenses:		
Rental expenses	60,773	49,294
Real estate taxes	26,105	18,344
Depreciation on real estate investments	67,811	46,648
Interest expense	57,428	40,429
General and administrative expenses	15,385	14,289
Other expenses	9,243	23,316
	236,745	192,320
Earnings from operations	46,280	4,735
Equity in earnings from unconsolidated entities	18,878	11,117
Other non-operating income	176	24,005
Net earnings before discontinued operations	65,334	39,857
Net earnings from discontinued apartment communities	78,558	33,985
Net earnings	143,892	73,842
Preferred Unit distributions	(958)	(1,698)
Net earnings attributable to Common Units – Basic	\$ 142,934	\$ 72,144
Weighted average Common Units outstanding		
Basic	246,961	224,268
Diluted	247,835	225,409
Earnings per Common Unit – Basic:		
Earnings before discontinued operations	\$ 0.26	\$ 0.17
Discontinued operations, net	0.32	0.15
Net earnings	\$ 0.58	\$ 0.32
Earnings per Common Unit – Diluted:		
Earnings before discontinued operations	0.26	\$ 0.17
Discontinued operations, net	0.32	0.15
Net earnings	\$ 0.58	\$ 0.32
Distributions paid per Common Unit	\$ 0.4350	\$ 0.4325

The accompanying notes are an integral part of these condensed consolidated financial statements.

Archstone-Smith Operating Trust

Condensed Consolidated Statements of Unitholders' Equity, Other Common Unitholders' Interest and Comprehensive Income (Loss)

Three Months Ended March 31, 2006

(In thousands)
(Unaudited)

	<u>Perpetual Preferred Units at Aggregate Liquidation Preference</u>	<u>Common Unitholders' Equity</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Unitholders' Equity</u>	<u>Other Common Unitholders' Interest</u>	<u>Total</u>
Balances at December 31, 2005	\$ 50,000	\$ 4,300,019	\$ (1,720)	\$ 4,348,299	\$ 1,420,491	\$ 5,768,790
Comprehensive income:						
Net earnings		124,455		124,455	19,437	143,892
Change in fair value of cash flow hedges			4,636	4,636		4,636
Change in fair value of marketable securities			1,068	1,068		1,068
Foreign currency exchange translation			617	617		<u>617</u>
Comprehensive income attributable to Common Units						<u>150,213</u>
Preferred Unit distribution		(958)		(958)		(958)
Common Unit distributions		(93,284)		(93,284)	(14,668)	(107,952)
A-1 Common Units converted into A-2 Common Units		23,552		23,552	(23,552)	
Exercise of Options		22,984		22,984		22,984
Issuance of A-1 Common Units under Compensation Plans		1,980		1,980		1,980
Issuance of A-1 Common Units in exchange for real estate					25,191	25,191
Adjustment to redemption value		(206,625)		(206,625)	206,625	
Other, net	<u>—</u>	<u>110</u>	<u>—</u>	<u>110</u>	<u>—</u>	<u>110</u>
Balances at March 31, 2006	<u>\$ 50,000</u>	<u>\$ 4,172,233</u>	<u>\$ 4,601</u>	<u>\$ 4,226,834</u>	<u>\$ 1,633,524</u>	<u>\$ 5,860,358</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

Archstone-Smith Operating Trust

Condensed Consolidated Statements of Cash Flows

(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2006	2005
Operating activities:		
Net earnings	\$ 143,892	\$ 73,842
Adjustments to reconcile net earnings to net cash flow provided by operating activities:		
Depreciation and amortization	69,574	56,974
Gains on dispositions of depreciated real estate	(82,191)	(40,622)
Gains on sale of marketable equity securities	—	(23,785)
Provision for possible loss on investments	2,200	—
Undistributed equity in earnings from unconsolidated entities	917	5,240
Interest on Mezzanine loans	(2,086)	(586)
Change in other assets	2,611	(9,010)
Change in accounts payable, accrued expenses and other liabilities	(16,966)	(28,852)
Other, net	6,556	5,577
Net cash flow provided by operating activities	<u>124,507</u>	<u>38,778</u>
Investing activities:		
Real estate investments	(435,550)	(310,994)
Change in investments in unconsolidated entities, net	(15,491)	6,939
Proceeds from dispositions	280,133	298,635
Change in restricted cash	315,532	51,194
Change in notes receivable, net	(54,105)	(63,002)
Other, net	(34,933)	27,356
Net cash flow provided by investing activities	<u>55,586</u>	<u>10,128</u>
Financing activities:		
Proceeds from Long-Term Unsecured Debt, net	296,946	—
Payments on Long-Term Unsecured Debt	(18,750)	(18,750)
Proceeds from (payments on) unsecured credit facilities, net	(309,869)	194,763
Principal repayment of mortgages payable, including prepayment penalties	(49,923)	(249,906)
Regularly scheduled principal payments on mortgages payable	(4,406)	(2,828)
Proceeds from Common Units issued under DRIP and employee stock options	22,630	11,475
Repurchase of Common Units and Preferred Units	—	(41,456)
Repurchase of Series E and F Perpetual Preferred Units	—	(19,522)
Cash distributions paid on Common Units	(107,952)	(117,803)
Cash distributions paid on Preferred Units	(958)	(1,698)
Other, net	2,298	607
Net cash flow used in financing activities	<u>(169,984)</u>	<u>(245,118)</u>
Net change in cash and cash equivalents	10,109	(196,212)
Cash and cash equivalents at beginning of period	13,638	203,255
Cash and cash equivalents at end of period	<u>\$ 23,747</u>	<u>\$ 7,043</u>
Significant non-cash investing and financing activities:		
A-1 Common Units issued in exchange for real estate	\$ 25,191	\$ 41,660
A-1 Common Units converted to A-2 Common Units	23,552	1,654
Assumption of mortgages payable upon purchase of apartment communities	197,449	—

These consolidated statements of cash flows combine cash flows from discontinued operations with cash flows from continuing operations.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Archstone-Smith Operating Trust

Notes to Condensed Consolidated Financial Statements

March 31, 2006 and 2005
(Unaudited)

(1) Description of the Business and Summary of Significant Accounting Policies

Business

Archstone-Smith is structured as an UPREIT under which all property ownership and business operations are conducted through the Operating Trust. Archstone-Smith is our sole trustee and owns approximately 86.5% of the Operating Trust's outstanding Common Units; the remaining 13.5% are owned by minority interest holders. As used herein, "we," "our" and the "company" refers to the Operating Trust and Archstone-Smith, collectively, except where the context otherwise requires. Archstone-Smith is an equity REIT organized under the laws of the State of Maryland. We focus on creating value for our unitholders by acquiring, developing, redeveloping and operating apartments in our core markets which are characterized by protected locations with limited land for new housing construction, expensive single-family home prices, and a strong, diversified economic base with significant employment growth potential.

Interim Financial Reporting

The accompanying condensed consolidated financial statements of the Operating Trust are unaudited and certain information and footnote disclosures normally included in financial statements have been omitted. While management believes that the disclosures presented are adequate for interim reporting, these interim financial statements should be read in conjunction with the financial statements and notes included in the Operating Trust's 2005 Form 10-K. See the glossary in our 2005 Form 10-K for all defined terms not defined herein.

In the opinion of management, the accompanying unaudited financial statements contain all adjustments necessary for a fair presentation of the Operating Trust's financial statements for the interim periods presented. The results of operations for the three months ended March 31, 2006 are not necessarily indicative of the results to be expected for the entire year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and the related notes. Actual results could differ from management's estimates. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the period they are determined to be necessary.

Marketable Securities and Other Investments

All publicly traded equity securities are classified as "available-for-sale" and carried at fair value, with unrealized gains and losses reported as a separate component of unitholders' equity. Private investments, for which we do not have the ability to exercise significant influence, are accounted for at cost. Declines in the value of public and private investments that management determines are other than temporary are recorded as a provision for loss on investments.

Real Estate and Depreciation

We allocate the cost of newly acquired properties between net tangible and identifiable intangible assets. The primary intangible asset associated with an apartment community acquisition is the value of the existing lease agreements. When allocating cost to an acquired property, we first allocate costs to the estimated intangible value of the existing lease agreements and then to the estimated value of the land, building and fixtures assuming the property is vacant. We estimate the intangible value of the lease agreements by determining the lost revenue associated with a hypothetical lease-up. We depreciate the building and fixtures based on the expected useful life of the asset and amortize the intangible value of the lease agreements over the average remaining life of the existing leases. This amortization expense is included in depreciation on real estate investments in our consolidated statements of earnings.

Archstone-Smith Operating Trust

Notes to Condensed Consolidated Financial Statements (Continued)

Insurance Recoveries

We recognize insurance recovery proceeds as other income if the recovery is related to items that were originally expensed, such as legal settlements, legal expenses and repairs that did not meet capitalization guidelines. For recoveries of property damages that were eligible for capitalization, we reduce the basis of the property or if the property has subsequently been sold, we recognize the proceeds as an additional gain on sale. We recognize insurance recoveries at such time that we believe the recovery is probable and we have sufficient information to make a reasonable estimate of proceeds, except in cases where we have to pursue recovery via litigation. In this circumstance, we recognize the recovery when we have a signed, legally binding agreement with the insurance carrier.

Legal Fees

We generally recognize legal expenses as incurred; however, if such fees are related to the accrual for an estimated legal settlement, we accrue for the related incurred and anticipated legal fees at the same time we accrue the estimated cost of settlement.

Foreign Currency Translation

Assets and liabilities of the company's foreign operations are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Revenue and expenses are translated at average rates in effect during the period. The resulting translation adjustment is reflected as accumulated other comprehensive income (loss), a separate component of unitholders' equity on the consolidated balance sheets. The functional currency utilized for these subsidiaries is the local foreign currency.

Derivative Financial Instruments

We utilize derivative financial instruments to manage our interest rate risk, foreign currency exchange risk, exposure to changes in the fair value of certain investments in equity securities and exposure to volatile energy prices. During 2003, we adopted SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." Under SFAS No. 149, the resulting assets and liabilities associated with derivative financial instruments are carried on our financial statements at estimated fair value at the end of each reporting period. The changes in fair value of a fair value hedge and the fair value of the items hedged are generally recorded in earnings for each reporting period. The change in the fair value of effective cash flow hedges and foreign currency hedges are carried on our financial statements as a component of accumulated other comprehensive income (loss). If effective, our hedges have little or no impact on our current earnings. The most significant derivative transactions entered into during the three months ended March 31, 2006 were the execution of forward treasury locks, which fixed the treasury rate component on \$300 million of unsecured debt that we expect to refinance in 2007, and another \$300 million we expect to refinance in 2008. These contracts lock the treasury component of the borrowing cost in at approximately 4.8%.

Income Taxes

We have made an election to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and we believe we qualify as a REIT and have made all required distributions of our taxable income.

Income taxes for our taxable REIT subsidiaries are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

Archstone-Smith Operating Trust

Notes to Condensed Consolidated Financial Statements (Continued)

Comprehensive Income

Comprehensive income, which is defined as net earnings and all other non-owner changes in equity, is displayed in the accompanying condensed consolidated Statements of Unitholders' Equity, Other Common Unitholders' Interest and Comprehensive Income (Loss). Other comprehensive income (loss) reflects unrealized holding gains and losses on the available-for-sale investments, changes in the fair value of effective cash flow hedges and gains and losses on long-term foreign currency transactions.

Our accumulated other comprehensive income (loss) for the three months ended March 31, 2006 was as follows (in thousands):

	Net Unrealized Gains on Marketable Securities	Cash Flow Hedges	Foreign Currency Translation	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2005	\$ 184	\$ (1,612)	\$ (292)	\$ (1,720)
Change in fair value of cash flow hedges	—	125	—	125
Fair value of long-term debt hedges	—	4,511	—	4,511
Foreign currency translation and other	—	—	617	617
Mark to market for marketable equity securities	1,068	—	—	1,068
Balance at March 31, 2006	<u>\$ 1,252</u>	<u>\$ 3,024</u>	<u>\$ 325</u>	<u>\$ 4,601</u>

Per Unit Data

Following is a reconciliation of basic EPS to diluted EPS for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2006	2005
Net earnings attributable to Common Units – Basic and Diluted	<u>\$142,934</u>	<u>\$ 72,144</u>
Weighted average number of Common Units outstanding – Basic	246,961	224,268
Assumed exercise of options	874	1,141
Weighted average number of Common Units outstanding – Diluted	<u>247,835</u>	<u>225,409</u>

Archstone-Smith Operating Trust

Notes to Condensed Consolidated Financial Statements (Continued)

New Accounting Pronouncements

In June 2005, the Emerging Issues Task Force issued EITF No. 04-5, "*Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*" (EITF No. 04-5). This Issue provides a framework for evaluating whether a general partner or group of general partners or managing members controls a limited partnership or limited liability company and therefore whether they should consolidate the entity. The presumption that the general partner or group of general partners or managing members controls a limited liability partnership or limited liability company may be overcome if the limited partners or members have (1) the substantive ability to dissolve the partnership without cause, or (2) substantive participating rights. EITF No. 04-5 became effective on June 30, 2005 for new or modified limited partnerships or limited liability companies and January 1, 2006 for all existing arrangements. Adoption of EITF No. 04-5 did not have a material impact on our financial position, net earnings or cash flows.

In April 2006, the FASB issued FASB Staff Position (FSP) FIN 46R-6, "*Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)*" This FSP addresses certain implementation issues related to FASB Interpretation No. 46 (Revised December 2003), "*Consolidation of Variable Interest Entities.*" Specifically, FSP FIN 46R-6 addresses how a reporting enterprise should determine the variability to be considered in applying FIN 46R. The variability that is considered in applying FIN 46R affects the determination of: (a) whether an entity is a variable interest entity (VIE); (b) which interests are "variable interests" in the entity; and (c) which party, if any, is the primary beneficiary of the VIE. That variability affects any calculation of expected losses and expected residual returns, if such a calculation is necessary. The Company is required to apply the guidance in this FSP prospectively to all entities (including newly created entities) with which it first becomes involved and to all entities previously required to be analyzed under FIN 46R when a "reconsideration event" has occurred, beginning July 1, 2006. The Company will evaluate the impact of this Staff Position at the time any such "reconsideration event" occurs, and for any new entities with which the Company becomes involved in future periods.

Please refer to Note 8 for details regarding the implementation of SFAS No. 123R, "*Share-Based Payment*"

Archstone-Smith Operating Trust

Notes to Condensed Consolidated Financial Statements (Continued)

(2) Real Estate

Investments in Real Estate

Investments in real estate, at cost, were as follows (dollar amounts in thousands):

	March 31, 2006 Investment	December 31, 2005 Investment
Operating Trust Apartment Communities:		
Operating communities	\$ 10,403,361	\$ 10,011,372
Communities under construction	668,348	575,631
Development communities In Planning ⁽¹⁾	26,364	24,365
Total Operating Trust apartment communities ..	11,098,073	10,611,368
Ameriton ⁽¹⁾	641,635	692,269
Other real estate assets ⁽²⁾	55,236	55,627
Total real estate	\$ 11,794,944	\$ 11,359,264

(1) In Planning is defined as those parcels of land owned or Under Control, which are in the development planning process, upon which construction is expected subsequent to the completion of the entitlement and building permit processes. Under Control is the term we use to identify land parcels which we do not own, yet have an exclusive right to purchase through contingent contract or letter of intent during a contractually agreed upon time period, subject to approval of contingencies during the due diligence and entitlement processes. Our investment as of March 31, 2006 and December 31, 2005 for development communities In Planning – Under Control was \$8.9 million and \$145,000, respectively, and is reflected in the “Other assets” caption of our Condensed Consolidated Balance Sheets.

(2) Includes land that is not In Planning and other real estate assets

The change in investments in real estate, at cost, consisted of the following (in thousands):

Balance at December 31, 2005	\$	11,359,264
Acquisition-related expenditures		558,226
Redevelopment expenditures		9,837
Recurring capital expenditures		6,511
Development expenditures, including initial acquisition costs		80,413
Acquisition and improvement of land for development		668
Dispositions		(221,320)
Provision for possible loss on investment		(2,200)
Net apartment community activity		432,135
Change in other real estate assets		3,545
Balance at March 31, 2006	\$	11,794,944

At March 31, 2006, we had unfunded contractual commitments of \$495.8 million related to communities under construction and under redevelopment. The purchase price of certain recent Oakwood, New York and Philadelphia acquisitions was allocated to land, buildings and other assets based on preliminary estimates and is subject to change as we obtain more complete information regarding land values and lease intangibles.

Archstone-Smith Operating Trust

Notes to Condensed Consolidated Financial Statements (Continued)

(3) Discontinued Operations

The results of operations for properties sold during the period or designated as held-for-sale at the end of the period are required to be classified as discontinued operations. The property specific components of net earnings that are classified as discontinued operations include rental revenues, rental expenses, real estate taxes, depreciation expense, income taxes and interest expense (actual interest expense for encumbered properties and a pro-rata allocation of interest expense for any unencumbered property up to our weighted average leverage ratio), as well as the net gain or loss on the disposition of properties.

Consistent with our capital recycling program, we had 14 operating apartment communities, representing 5,351 units (unaudited), classified as held-for-sale under the provisions of SFAS No. 144, at March 31, 2006. Accordingly, we have classified the operating earnings from these 14 properties within discontinued operations for the three months ended March 31, 2006 and 2005. During the three months ended March 31, 2006 and 2005, we sold seven and five Archstone-Smith and Ameriton operating communities, respectively. The operating results of these communities and the related gain/loss on sale are also included in discontinued operations for 2006 and 2005.

The following is a summary of net earnings from discontinued operations (in thousands):

	Three Months Ended March 31,	
	2006	2005
Rental revenues	\$ 18,429	\$ 42,927
Rental expenses	(6,571)	(14,572)
Real estate taxes	(3,052)	(5,551)
Depreciation on real estate investments	(1,763)	(10,326)
Interest expense ⁽¹⁾	(4,323)	(10,922)
Estimated income taxes (Ameriton properties)	(1,533)	(2,433)
Provision for possible loss on real estate investment	(2,200)	—
Debt extinguishment costs related to dispositions	(863)	(5,058)
Gains from the disposition of Ameriton real estate investments, net	14,724	14,058
Internal Disposition Costs – Ameriton transactions ⁽²⁾	(1,108)	(292)
Gains from the disposition of REIT real estate investments, net	67,467	26,564
Internal Disposition Costs – REIT transactions ⁽²⁾	(649)	(410)
Earnings from discontinued apartment communities	\$ 78,558	\$ 33,985

(1) The portion of interest expense included in discontinued operations that is allocated to properties based on the company's leverage ratio was \$2.6 million and \$7.6 million for the three months ended March 31, 2006 and 2005.

(2) Represents the direct and incremental compensation and related costs associated with the employees dedicated to our significant disposition activity.

(4) Investments in and Advances to Unconsolidated Entities

Real Estate Joint Ventures

We have investments in entities that we account for using the equity method. At March 31, 2006, the investment balance consisted of \$116.4 million in thirteen Operating Trust joint ventures and \$30.9 million in five Ameriton joint ventures. At December 31, 2005, the investment balance consisted of \$102.6 million in thirteen Operating Trust joint ventures and \$30.1 million in six Ameriton joint ventures. The Operating Trust and Ameriton's combined weighted average percentage of ownership in joint ventures based on total assets at March 31, 2006 was 39.6%.

Archstone-Smith Operating Trust

Notes to Condensed Consolidated Financial Statements (Continued)

Combined summary balance sheet data for our investments in unconsolidated entities presented on a stand-alone basis follows (in thousands):

	March 31, 2006	December 31, 2005
Assets:		
Real estate	\$ 1,138,291	\$ 1,142,921
Other assets	156,594	244,557
Total assets	\$ 1,294,885	\$ 1,387,478
Liabilities and owners' equity:		
Inter-company debt payable to Operating Trust	\$ 1,251	\$ 2,324
Mortgages payable ⁽¹⁾	861,921	894,300
Other liabilities	44,057	120,898
Total liabilities	907,229	1,017,522
Owners' equity	387,656	369,956
Total liabilities and owners' equity	\$ 1,294,885	\$ 1,387,478

- (1) The Operating Trust guarantees \$193.6 million of the outstanding debt balance as of March 31, 2006 and is committed to guarantee another \$93.5 million upon funding of additional debt.

Selected combined summary results of operations for our unconsolidated investees presented on a stand-alone basis follows (in thousands):

	Three Months Ended March 31,	
	2006	2005
Operating Trust Joint Ventures		
Revenues	\$ 31,008	\$ 33,289
Net Earnings ⁽¹⁾	2,179	15,488
Ameriton Joint Ventures		
Revenues	\$ 141	\$ 1,089
Net Earnings ⁽²⁾	18,362	7,118
Total		
Revenues	\$ 31,149	\$ 34,378
Net Earnings	\$ 20,541	\$ 22,606

- (1) For the three months ended March 31, 2006 there were no gains associated with the disposition of Operating Trust Joint Venture assets and for the three months ended March 31, 2005 the gains associated with the disposition of Operating Trust Joint Venture assets were \$17.4 million.
- (2) Includes Ameriton's share of pre-tax gains associated with the disposition of real estate joint ventures assets. These gains totaled \$19.6 million and \$8.8 million gains during the three months ended March 31, 2006 and 2005, respectively.

Archstone-Smith Operating Trust

Notes to Condensed Consolidated Financial Statements (Continued)

(5) Mortgage Notes Receivable

The change in mortgage notes receivable, which are included in other assets, during the three months ended March 31, 2006 consisted of the following (in thousands):

Balance at December 31, 2005	\$ 74,396
Funding of additional mortgages	55,655
Accrued interest	2,086
Balance at March 31, 2006	\$ 132,137

We have a commitment to fund an additional \$16.0 million under existing agreements. Our rights to the underlying collateral on these notes in the event of default are generally subordinate to the primary mortgage lender. During the three months ended March 31, 2006 and 2005, we recognized a total of \$3.6 million and \$0.9 million in interest income, respectively, associated with notes receivable. The weighted average interest rate on these notes as of March 31, 2006 was approximately 12.2%.

(6) Borrowings

Unsecured Credit Facilities

The following table summarizes our revolving credit facility borrowings under our line of credit (in thousands, except for percentages):

	As of and for the Three Months Ended March 31, 2006	As of and for the Year Ended December 31, 2005
Total unsecured revolving credit facility	\$ 600,000	\$ 600,000
Borrowings outstanding at end of period	50,000	360,000
Outstanding letters of credit under this facility	5,819	37,813
Weighted average daily borrowings	208,000	183,434
Maximum borrowings outstanding during the period	360,000	580,000
Weighted average daily nominal interest rate	4.79%	3.95%
Weighted average daily effective interest rate	5.30%	4.25%

We also have a short-term unsecured borrowing agreement with JPMorgan Chase Bank, which provides for maximum borrowings of \$100 million. The borrowings under the agreement bear interest at an overnight rate agreed to at the time of borrowing and ranged from 4.6% to 5.2% during 2006. There were \$34.7 million of borrowings outstanding under the agreement at March 31, 2006, and \$34.6 million of borrowings outstanding at December 31, 2005.

Long-Term Unsecured Debt

A summary of our Long-Term Unsecured Debt outstanding at March 31, 2006 and December 31, 2005 follows (dollar amounts in thousands):

Type of Debt	Coupon Rate ⁽¹⁾	Effective Interest Rate ^{(1) (2)}	Balance at March 31, 2006	Balance at December 31, 2005	Average Remaining Life (Years)
Long-term unsecured senior notes ..	5.75%	5.90%	\$ 2,749,220	\$ 2,468,047	6.1
Unsecured tax-exempt bonds	3.67%	3.91%	76,601	77,072	17.4
Total/Weighted average	5.69%	5.86%	\$ 2,825,821	\$ 2,545,119	6.4

See notes on following page.

Archstone-Smith Operating Trust

Notes to Condensed Consolidated Financial Statements (Continued)

- (1) Represents a fixed rate for the long-term unsecured notes and a variable rate for the unsecured tax-exempt bonds.
- (2) Includes the effect of fair value hedges, loan cost amortization and other ongoing fees and expenses, where applicable.

During March 2006, the Operating Trust issued \$300 million in long-term unsecured ten-year senior notes with a coupon rate of 5.75% and an effective interest rate of 5.89%.

Mortgages payable

Our mortgages payable generally feature either monthly interest and principal payments or monthly interest-only payments with balloon payments due at maturity. Early repayment of mortgages is generally subject to prepayment penalties. A summary of mortgages payable follows (dollar amounts in thousands):

	Outstanding Balance at ⁽¹⁾		Effective Interest Rate ⁽²⁾
	March 31, 2006	December 31, 2005	
Secured floating rate debt:			
Tax-exempt debt	\$ 988,270	\$ 839,318	4.15%
Conventional mortgages	70,145	54,455	5.44%
Total Floating	1,058,415	893,773	4.24%
Secured fixed rate debt:			
Conventional mortgages	1,454,011	1,480,170	6.16%
Other secured debt	19,464	19,709	3.96%
Total Fixed	1,473,475	1,499,879	6.13%
Total mortgages payable	\$ 2,531,890	\$ 2,393,652	5.34%

- (1) Includes the unamortized fair market value adjustment associated with assumption of fixed rate mortgages in connection with real estate acquisitions. The unamortized balance aggregated \$58.8 million and \$63.5 million at March 31, 2006 and December 31, 2005 respectively, and is being amortized into interest expense over the life of the underlying debt.
- (2) Includes the effect of fair value hedges, credit enhancement fees, the amortization of fair market value purchase adjustment, and other related costs, where applicable.

The change in mortgages payable during the three months ended March 31, 2006 consisted of the following (in thousands):

Balance at December 31, 2005	\$	2,393,652
Mortgage assumptions related to property acquisitions		197,449
Regularly scheduled principal amortization		(4,406)
Prepayments, final maturities and other		(54,805)
Balance at March 31, 2006	\$	2,531,890

Archstone-Smith Operating Trust

Notes to Condensed Consolidated Financial Statements (Continued)

Other

The book value of total assets pledged as collateral for mortgage loans and other obligations at March 31, 2006 and December 31, 2005 is \$5.0 billion and \$4.6 billion, respectively. Our debt instruments generally contain covenants common to the type of facility or borrowing, including financial covenants establishing minimum debt service coverage ratios and maximum leverage ratios. We were in compliance with all financial covenants pertaining to our debt instruments at March 31, 2006.

The total interest paid on all outstanding debt was \$82.0 million and \$84.6 million for the three months ended March 31, 2006 and 2005, respectively. We capitalize interest incurred during the construction period as part of the cost of apartment communities under development. Capitalized interest was \$12.8 million and \$8.2 million during the three months ended March 31, 2006 and 2005, respectively.

(7) Distributions to Unitholders

The following table summarizes the quarterly cash distributions paid per unit on Common and Preferred Units during the three months ended March 31, 2006 and the annualized distribution we expect to pay for 2006:

	Quarterly Cash Distribution Per Unit	Annualized Cash Distribution Per Unit
Common Units	\$ 0.435	\$ 1.74
Series I Perpetual Preferred Units ⁽¹⁾	1,915	7,660

(1) Series I Preferred Units have a par value of \$100,000 per unit.

(8) Benefit Plans and Implementation of SFAS 123R

In December 2004, the FASB issued SFAS No. 123R, "*Share-Based Payment*." This Statement is a revision of SFAS No. 123, "*Accounting for Stock-Based Compensation*," and supersedes APB No. 25, "*Accounting for Stock Issued to Employees*." The Statement requires companies to recognize, in the income statement, the grant-date fair value of stock options and other equity based compensation issued to employees. We used the modified prospective method in adopting the Statement, which became effective January 1, 2006. Since we early-adopted the fair value recognition provisions of SFAS No. 123 for all awards granted after January 1, 2003, adoption of SFAS No. 123R did not have a material impact on our financial position, net earnings or cash flows. Upon the adoption of SFAS 123R, we recorded a benefit resulting from application of an anticipated forfeiture rate on existing awards of approximately \$100,000 which had no effect on our reported earnings per share. With respect to options granted prior to January 1, 2003, no stock-based employee compensation expense was reflected in the financial statements for the three months ended March 31, 2005. Recording this expense would have lowered net earnings by approximately \$100,000 for the three months ended March 31, 2005. We have made an election to be taxed as a REIT under the Internal Revenue Code of 1986, as amended; therefore, there was no tax impact that was recorded as a result of the adoption of this standard.

Our long-term incentive plan was approved in 1997 and was modified in connection with the Smith Merger. There have been six types of awards under the plan: (i) options with a DEU feature (only awarded prior to 2000); (ii) options without the DEU feature (generally awarded after 1999); (iii) Restricted Share Unit awards with a DEU feature (awarded prior to 2006); (iv) Restricted Share Unit awards with a cash dividend payment feature (awarded after 2005); (v) employee share purchase program with matching options without the DEU feature, granted only in 1997 and 1998; and (vi) performance units issued to certain named executives under our Special Long-Term Incentive Plan.

No more than 20 million share or option awards in the aggregate may be granted under the plan, and no individual may be awarded more than 1.0 million share or option awards in any one-year period. As of March 31, 2006, Archstone-Smith had approximately 10,400,000 shares available for future grants. Non-qualified options constitute an important component of compensation for officers below the level of senior vice president and for selected employees

Archstone-Smith Operating Trust

Notes to Condensed Consolidated Financial Statements (Continued)

A summary of share option activity for the options and restricted share units is presented below:

	Option Awards		RSU Awards	
	Options	Weighted Average Exercise Price	Units	Weighted Average Grant Price
Balance, December 31, 2005	2,702,026	\$ 24.94	948,735	\$ 27.77
Granted	424,523	45.58	226,756	45.58
Exercised/Settled	942,485	23.28	35,905	24.56
Forfeited	21,895	34.29	4,712	31.84
Expired	0	0	0	0
Balance, March 31, 2006	2,162,169	\$ 29.56	1,134,784	\$ 31.42

Certain of the options and restricted share units, included in the table above, have a DEU feature. The aggregate number of vested DEUs outstanding as of March 31, 2006 was 166,000. During the three months ended March 31, 2006, we recorded \$116,000 as a charge to operating expense related to unvested DEUs and \$400,000 of common share dividends related to vested DEUs.

Options

During the three months ended March 31, 2006, the share options granted to associates had a calculated fair value of \$11.28 per option. The historical exercise patterns of the associate groups receiving option awards are similar, and therefore we used only one set of assumptions in calculating fair value. For the three months ended March 31, 2006, the calculated fair value was determined using the Black-Scholes-Merton valuation model, using a weighted average risk-free rate interest rate of 4.66%, a weighted average dividend yield of 4.57%, a volatility factor of 36.2% and a weighted average expected life of four years. For the three months ended March 31, 2005, the calculated fair value was determined using the Black-Scholes-Merton valuation model, using a weighted average risk-free rate interest rate of 3.77%, a weighted average dividend yield of 5.63%, a volatility factor of 21.97% and a weighted average expected life of five years. The options vest over a three-year period and have a contractual term of 10 years. We used an estimated forfeiture rate of 30% in recording option compensation expense for the three months ended March 31, 2006, based primarily on historical experience. The unamortized compensation cost is \$4.1 million, which includes all options previously granted but not yet vested. This amount will be recorded as compensation cost over the next three years.

The weighted-average grant date fair value of the share options granted during the three month periods ended March 31, 2006 and 2005 were \$11.28 and \$4.19, respectively. The total intrinsic value of the share options exercised during the three-month periods ended March 31, 2006 and 2005 were \$21.9 million and \$6.9 million, respectively. The intrinsic value is defined as the difference between the realized fair value of the share or the quoted fair value at the end of the period, less the exercise price of the option. We have 1.3 million fully vested options outstanding at March 31, 2006 with a weighted average exercise price of \$23.58. The weighted-average contractual life of the fully vested options is 5.4 years, and they have an intrinsic value of \$32.7 million. In addition, we have 600,000 options outstanding that we expect to vest with a weighted average exercise price of \$38.51. The weighted-average contractual life of the unvested options is 9.3 years, and they have an intrinsic value of \$6.2 million.

Restricted Share Units

Also during the quarter, we issued RSUs to senior officers of the company with a grant date fair value of \$45.58 per share. The grant date fair value of the units granted in the three-month period ended March 31, 2005 was \$35.12 per share. We have assumed that all units will ultimately be exercised. The units vest over a three-year period and the related unamortized compensation cost is \$14.5 million, which includes all units previously granted but not yet vested. This amount will be recorded as compensation cost over the next three years.

Archstone-Smith Operating Trust

Notes to Condensed Consolidated Financial Statements (Continued)

We have 647,000 fully vested RSUs outstanding at March 31, 2006 with a weighted average grant date fair value of \$26.38. The weighted-average contractual life for the fully vested shares is 5.7 years and the intrinsic value is \$31.5 million. In addition, we have 488,000 RSUs outstanding that we expect to vest with a weighted average grant date fair value of \$38.09. The weighted-average contractual life for the unvested shares is 9.2 years and the intrinsic value is \$23.8 million. The total intrinsic value of the RSUs settled during the three-month periods ended March 31, 2006 and 2005 were \$1.6 million and \$2.0 million, respectively.

Special Long Term Incentive Plan

Effective January 1, 2006, a special long-term incentive program related to the achievement of total shareholder return performance targets was established for certain of our executive officers. We would issue approximately 300,000 performance units if all performance targets are ultimately met as of December 31, 2008. The calculated grant date fair value of approximately \$4.8 million is being charged to compensation expense ratably over the three-year term of the plan. The calculated fair value was determined by an independent third party using a Monte Carlo simulation approach which yielded an estimated payout percentage of 41%. The related unamortized compensation cost is \$4.3 million.

Summary

The compensation cost associated with all awards for the three months ended March 31, 2006 was approximately \$3 million, of which approximately \$2.3 million was charged to operating expenses, and approximately \$0.7 million related to dedicated investment personnel and was capitalized with respect to development and other qualifying investment activities. The compensation cost associated with all awards for the three months ended March 31, 2005 was approximately \$2.5 million, of which approximately \$1.9 million was charged to operating expenses, and approximately \$0.6 million related to dedicated investment personnel and was capitalized with respect to development and other qualifying investment activities.

(9) Segment Data

We have determined that each of our garden communities and each of our high-rise properties have similar economic characteristics and also meet the other GAAP criteria, which permit the garden communities and high-rise properties to be aggregated into two reportable segments. Additionally, we have defined the activity from Ameriton as an individual operating segment as its primary focus is the opportunistic acquisition, development and eventual disposition of real estate with a short-term investment horizon. NOI is defined as rental revenues less rental expenses and real estate taxes. We rely on NOI for purposes of making decisions about resource allocations and assessing segment performance. We also believe same-store NOI is a valuable means of comparing year-to-year property performance.

Following are reconciliations, which exclude the amounts classified as discontinued operations, of each reportable segment's (i) revenues to consolidated revenues; (ii) NOI to consolidated earnings from operations; and (iii) assets to consolidated assets, for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2006	2005
Reportable apartment communities segment revenues:		
Same-Store:		
Garden communities	\$ 110,961	\$ 104,764
High-rise communities	78,915	75,234
Non Same-Store and other:		
Garden communities	44,811	4,548
High-rise communities	21,861	3,827
Ameriton communities ⁽¹⁾	5,495	2,987
Other non-reportable operating segment revenues	4,766	568
Total segment and consolidated rental revenues	\$ 266,809	\$ 191,928

Archstone-Smith Operating Trust

Notes to Condensed Consolidated Financial Statements (Continued)

	Three Months Ended March 31,	
	2006	2005
Reportable apartment communities segment NOI:		
Same-Store:		
Garden communities	\$ 76,490	\$ 70,223
High-rise communities	53,051	47,930
Non Same-Store and other:		
Garden communities	29,747	2,452
High-rise communities	14,360	1,796
Ameriton communities ⁽¹⁾	2,848	1,429
Other non-reportable operating segment NOI	3,435	460
Total segment NOI	179,931	124,290
Reconciling items:		
Other income	16,216	5,127
Depreciation on real estate investments	(67,811)	(46,648)
Interest expense	(57,428)	(40,429)
General and administrative expenses	(15,385)	(14,289)
Other expenses	(9,243)	(23,316)
Consolidated earnings from operations	\$ 46,280	\$ 4,735

- (1) While rental revenue and NOI are the primary measures we use to evaluate the performance of our assets, management also utilizes gains from the disposition of real estate when evaluating the performance of Ameriton as its primary focus is the opportunistic acquisition, development and eventual disposition of real estate with a short-term investment horizon. During the three months ended March 31, 2006 and 2005, pre-tax gains from the disposition of Ameriton real estate were \$13.6 million and \$13.8 million, respectively. These gains are classified within discontinued operations. Additionally, Ameriton had gains of \$19.6 million and \$8.8 million during the three months ended March 31, 2006 and 2005, respectively from the sale of unconsolidated joint venture assets. These gains are classified within income from unconsolidated entities. Ameriton assets are excluded from our Same-Store population as they are acquired or developed to achieve short-term opportunistic gains, and therefore, the average holding period is typically much shorter than the holding period of assets operated by the Operating Trust.

	March 31, 2006	December 31, 2005
	Reportable operating communities segment assets:	
Same-Store:		
Garden communities	\$ 3,085,168	\$ 3,101,849
High-rise communities	2,737,210	2,750,265
Non Same-Store, Under Development and other:		
Garden communities	2,513,686	2,426,742
High-rise communities	1,523,090	1,133,833
Ameriton communities	417,286	472,378
ADA Settlement Accrual	45,092	47,198
Other non-reportable operating segment assets	155,431	151,538
Total segment assets	10,476,963	10,083,803
Real estate held-for-sale, net	435,757	438,768
Total segment assets	10,912,720	10,522,571
Reconciling items:		
Investment in and advances to unconsolidated entities	147,302	132,728
Cash and cash equivalents	23,747	13,638
Restricted cash in tax-deferred exchange escrow	179,742	495,274
Other assets	389,439	302,967
Consolidated total assets	\$ 11,652,950	\$ 11,467,178

Archstone-Smith Operating Trust

Notes to Condensed Consolidated Financial Statements (Continued)

Total capital expenditures for garden communities included in continuing operations were \$9.3 million and \$5.5 million for the three months ended March 31, 2006 and 2005, respectively. Total capital expenditures for high-rise properties included in continuing operations were \$10.6 million and \$9.0 million for the three months ended March 31, 2006 and 2005, respectively. Total capital expenditures for Ameriton properties included in continuing operations were \$0.8 million and \$0.04 million for the three months ended March 31, 2006 and 2005, respectively.

(10) Litigation and Contingencies

We are a party to various other claims and routine litigation arising in the ordinary course of business. We do not believe that the results of any such claims or litigation, individually or in the aggregate, will have a material adverse effect on our business, financial position or results of operations.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Trustee and Unitholders
Archstone-Smith Operating Trust:

We have reviewed the accompanying condensed consolidated balance sheet of Archstone-Smith Operating Trust and subsidiaries as of March 31, 2006, and the related condensed consolidated statements of earnings for the three-month periods ended March 31, 2006 and 2005, the condensed consolidated statement of unitholders' equity, other common unitholders' interest and comprehensive income (loss) for the three-month period ended March 31, 2006 and the condensed consolidated statements of cash flows for the three-month periods ended March 31, 2006 and 2005. These condensed consolidated financial statements are the responsibility of Archstone-Smith Operating Trust's management.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Archstone-Smith Operating Trust as of December 31, 2005, and the related consolidated statements of earnings, unitholders' equity, other common unitholders' interest and comprehensive income (loss), and cash flows for the year then ended (not presented herein); and in our report dated March 9, 2006 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2005 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

Denver, Colorado
May 9, 2006

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

The following information should be read in conjunction with Archstone-Smith Operating Trust's 2005 Form 10-K as well as the financial statements and notes included in Item 1 of this report.

Forward-Looking Statements

Certain statements in this Form 10-Q that are not historical facts are "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on our current expectations, beliefs, assumptions, estimates and projections about the industry and markets in which we operate. 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. Information concerning expected investment balances, expected funding sources, planned investments, forecasted dates and revenue and expense growth assumptions are examples of forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict and many of which are beyond our control. Therefore, actual outcomes and results may differ materially from what is expressed, forecasted or implied in such forward-looking statements. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

Our operating results depend primarily on income from apartment communities, which is substantially influenced by supply and demand for apartment units, operating expense levels, property level operations and the pace and price at which we can develop, acquire or dispose of apartment communities. Capital and credit market conditions, which affect our cost of capital, also influence operating results. See Archstone-Smith Operating Trust's 2005 Form 10-K, "Item 1. Business," for a more complete discussion of risk factors that could impact our future financial performance.

The Company

We are engaged primarily in the operation, development, redevelopment, acquisition, management and long-term ownership of apartment communities throughout the United States. Archstone-Smith is structured as an UPREIT, with all property ownership and business operations conducted through the Operating Trust and our subsidiaries and affiliates. Archstone-Smith is the sole trustee and owns approximately 86.5% of our Common Units as of March 31, 2006.

Results of Operations

The following discussion relates to the three months ended March 31, 2006 ("2006") as compared to the three months ended March 31, 2005 ("2005").

Executive Summary

The major factors that influenced our operating results for 2006 as compared to 2005 were as follows:

- NOI increased significantly in 2006 due primarily to substantial net acquisition activity, including the Oakwood transaction, and a 9.8% increase in NOI for our same-store communities that were operating as of January 1, 2005.
- Other income was higher in 2006 due primarily to (i) \$7.1 million associated with a negotiated settlement related to moisture infiltration and mold litigation at a previously owned community in Southeast Florida and (ii) higher interest income attributable to our growing mezzanine loan financing activities.
- The higher depreciation and interest expense in 2006 was due to the increase in size of the real estate portfolio and the related financing activities, respectively.
- Other expense was lower in 2006 due primarily to higher debt extinguishment costs in 2005.
- Non-operating income was lower in 2006 due to the gain on the sale of our Rent.com investment in 2005.
- The higher gains from the disposition of real estate in 2006 are primarily attributable to higher profit margins on sales.

Reconciliation of Quantitative Summary to Consolidated Statements of Earnings

The following schedule is provided to reconcile our consolidated statements of earnings to the information presented in the "Quantitative Summary" provided in the next section:

	<u>Three Months ended March 31, 2006</u>			<u>Three Months ended March 31, 2005</u>		
	<u>Continuing Operations</u>	<u>Discontinued Operations</u>	<u>Total</u>	<u>Continuing Operations</u>	<u>Discontinued Operations</u>	<u>Total</u>
Rental revenue	\$ 266,809	\$ 18,429	\$ 285,238	\$ 191,928	\$ 42,927	\$ 234,855
Other income	16,216	—	16,216	5,127	—	5,127
Property operating expenses (rental expenses and real estate taxes)	86,878	9,623	96,501	67,638	20,123	87,761
Depreciation on real estate investments	67,811	1,763	69,574	46,648	10,326	56,974
Interest expense	57,428	4,323	61,751	40,429	10,922	51,351
General and administrative expenses	15,385	—	15,385	14,289	—	14,289
Other expense	9,243	4,596	13,839	23,316	7,491	30,807
Income from unconsolidated entities	18,878	—	18,878	11,117	—	11,117
Other non-operating income	176	—	176	24,005	—	24,005
Gains, net of disposition costs	—	80,434	80,434	—	39,920	39,920
Net earnings	<u>\$ 65,334</u>	<u>\$ 78,558</u>	<u>\$ 143,892</u>	<u>\$ 39,857</u>	<u>\$ 33,985</u>	<u>\$ 73,842</u>

Quantitative Summary

This summary is provided for reference purposes and is intended to support and be read in conjunction with the narrative discussion of our results of operations. This quantitative summary includes all operating activities, including those classified as discontinued operations for GAAP reporting purposes. This information is presented to correspond with the manner in which we analyze the business. We generally reinvest disposition proceeds into new developments and operating communities and therefore believe it is most useful to analyze continuing and discontinued operations on a combined basis. The impact of communities classified as “discontinued operations” for GAAP reporting purposes is discussed separately in a later section under the caption “Discontinued Operations Analysis.”

	2006	2005	2006 vs. 2005 Increase / (Decrease)
Rental revenues:			
Same-Store ⁽¹⁾	\$ 200,006	\$ 189,487	\$ 10,519
Non Same-Store and other	74,518	35,230	39,288
Ameriton	7,712	9,567	(1,855)
Non-multifamily and international	3,002	571	2,431
Total rental revenues	<u>285,238</u>	<u>234,855</u>	<u>50,383</u>
Property operating expenses (rental expenses and real estate taxes):			
Same-Store ⁽¹⁾	65,537	66,972	(1,435)
Non Same-Store and other	26,496	16,117	10,379
Ameriton	3,927	4,560	(633)
Non-multifamily and international	541	112	429
Total property operating expenses	<u>96,501</u>	<u>87,761</u>	<u>8,740</u>
Net operating income (rental revenues less property operating expenses)	188,737	147,094	41,643
Margin (NOI/rental revenues):	66.2%	62.6%	3.6%
Average occupancy during period: ⁽²⁾	95.2%	94.3%	0.9%
Other income	16,216	5,127	11,089
Depreciation of real estate investments	69,574	56,974	12,600
Interest expense	74,522	59,570	14,952
Capitalized interest	12,771	8,219	4,552
Net interest expense	61,751	51,351	10,400
General and administrative expenses	15,385	14,289	1,096
Other expense	13,839	30,807	(16,968)
Earnings from continuing and discontinued operations	<u>44,404</u>	<u>(1,200)</u>	<u>45,604</u>
Equity in earnings from unconsolidated entities	18,878	11,117	7,761
Other non-operating income	176	24,005	(23,829)
Gains on disposition of real estate investments, net of disposition costs:			
Taxable subsidiaries	13,616	13,766	(150)
REIT	66,818	26,154	40,664
Net earnings	<u>\$ 143,892</u>	<u>\$ 73,842</u>	<u>\$ 70,050</u>

- (1) Reflects revenues and operating expenses for Same-Store communities that were owned on March 31, 2006 and fully operating during both of the comparison periods.
- (2) Does not include occupancy associated with properties owned by Ameriton, located in Germany or operated under the Oakwood Master Leases.

Property-level operating results

We utilize NOI as the primary measure to evaluate the performance of our operating communities and for purposes of making decisions about resource allocations and assessing segment performance. We also believe NOI is a valuable means of comparing period-to-period property performance. In analyzing the performance of our operating portfolio, we evaluate Same-Store communities separately from Non Same-Store communities and other properties

Same-Store Analysis

The following table reflects revenue, expense and NOI growth for Same-Store communities that were owned on March 31, 2006 and fully operating during both years

	Same-Store Revenue Growth	Same-Store Expense Decline	Same-Store NOI Growth
Garden.....	6.0%	(0.2%)	9.1%
High-Rise.....	5.0%	(4.6%)	10.8%
Total.....	5.6%	(2.1%)	9.8%

Same-Store revenues were up in each of our core markets for both the garden and the high-rise portfolios, resulting primarily from higher rental income per unit and a slight improvement in the percentage of units occupied. We are seeing significant upward pressure on rental rates as a result of a number of factors, including: (i) employment growth; (ii) escalating home prices; (iii) less speculation in the market concerning home or condominium appreciation; and (iv) rising interest rates, all of which have translated into significant increases in our revenue growth. In addition, we continue to believe that our strong operating performance is not only the result of improving operating fundamentals across all of our core markets, but also the continued enhancements we are making to many components of our operating platform, such as LRO, MRI, online lease, resident portal and internet marketing. We believe that all of these improvements have resulted in meaningful efficiencies for us. The Washington D.C. Metropolitan Area, Southern California and the New York City Metropolitan Area, which represent 68.1% of our portfolio, reported revenue growth of 4.2%, 8.5% and 6.3%, respectively. The decrease in our operating expenses was driven principally by: (i) lower utility expense, as a result of the mild winter compared to last year and higher resident utility reimbursements, and (ii) a reduction in insurance expense resulting from lower than predicted claims. These decreases were realized to a greater degree in our high-rise communities. These revenue and expense fluctuations resulted in overall portfolio Same-Store NOI growth of 9.8%, which was the major driver of the 360 basis point increase in our margin for the overall portfolio.

Non Same-Store and Other Analysis

The \$28.9 million increase in NOI in the Non Same-Store portfolio is primarily attributable to: (i) \$23.7 million related to acquisitions; (ii) \$3.7 million related to recently stabilized development communities and communities in lease-up; (iii) \$13.1 million related to the Oakwood Master Leases; offset by (iv) \$13.0 million related to community dispositions. The Oakwood Master Leases also contributed to our overall margin improvement since the only operating expenses we incur relate to property taxes and insurance.

Ameriton

The \$1.2 million decrease in NOI from Ameriton apartment communities is primarily attributable to dispositions.

Non Multi-family and International

The \$2.0 million increase in NOI is primarily attributable to commercial/retail income associated with an asset purchased by Ameriton in 2005 and NOI from the German acquisition we closed at the end of 2005.

Other Income

Other income was higher in 2006 due primarily to (i) \$7.1 million associated with a negotiated settlement related to moisture infiltration and mold litigation at a previously owned community in Southeast Florida and (ii) higher interest income attributable to our growing mezzanine loan financing activities.

Depreciation Expense

The depreciation increase in 2006 is primarily related to the increase in the size of the real estate portfolio.

Interest Expense

The increase in gross interest expense in 2006 is due to higher average debt levels associated with the increased size of the real estate portfolio combined with higher average interest rates on our debt. The Oakwood transaction was the most significant driver of the portfolio increase. Capitalized interest also increased significantly as a result of the increase in the size and number of communities under construction and, to a lesser extent, higher average interest rates.

Other Expenses

Other expense was lower in 2006 due primarily to higher debt extinguishment costs in 2005. We incurred \$22.9 million of early debt extinguishment costs related to payoffs of \$250 million of mortgages in the first quarter of 2005. These higher 2005 expenses were partially offset by 2006 expenses pertaining to an incremental \$2.2 million impairment related to a non-core asset in addition to incremental hurricane cleanup costs and costs relating to various legal matters.

Equity in Income from Unconsolidated Entities

Income from unconsolidated entities was higher in 2006 primarily due to higher gains on the sale of Ameriton joint venture assets.

Other Non-Operating Income

Non-operating income was lower in 2006 due to the gain on the sale of our Rent.com investment in 2005.

Gains on Real Estate Dispositions

See "Discontinued Operations Analysis" below for discussion of gains.

Discontinued Operations Analysis

Included in the overall results discussed above are the following amounts associated with properties which have been sold or were classified as held-for-sale as of March 31, 2006 (dollars in thousands).

	<u>Three Months Ended March 31,</u>	
	<u>2006</u>	<u>2005</u>
Rental revenues	\$ 18,429	\$ 42,927
Rental expenses	(6,571)	(14,572)
Real estate taxes	(3,052)	(5,551)
Depreciation on real estate investments	(1,763)	(10,326)
Interest expense ⁽¹⁾	(4,323)	(10,922)
Income taxes from taxable REIT subsidiaries	(1,533)	(2,433)
Provision for possible loss on real estate investment	(2,200)	—
Debt extinguishment costs related to dispositions	(863)	(5,058)
Gains on disposition of real estate investments, net of disposition costs:		
Taxable subsidiaries	13,616	13,766
REIT	66,818	26,154
Total discontinued operations	<u>\$ 78,558</u>	<u>\$ 33,985</u>
Number of communities sold during the period	7	5
Number of sold communities included in discontinued operations NOI	7	42
Number of communities classified as held-for-sale and included in discontinued operations NOI as of March 31, 2006	14	12

- (1) The portion of interest expense included in discontinued operations that is allocated to properties based on the company's leverage ratio was \$2.6 million and \$7.6 million for 2006 and 2005, respectively.

As a result of the execution of our strategy of managing our invested capital through the selective sale of apartment communities in non-core locations and redeploying the proceeds to fund investments with higher anticipated growth prospects in our core markets, we had significant disposition activity in both 2006 and 2005, although there was higher transaction volume in 2006. The resulting gains, net of disposition costs, including those from Ameriton, were the biggest drivers of overall earnings from discontinued operations. NOI related to communities sold or classified as held-for-sale was \$14.0 million higher in 2005 as compared to 2006 due primarily to the sold communities that produced NOI in 2005 but not 2006. Changes in direct operating expenses and allocated interest expense are generally proportional to the communities included in discontinued operations for each period. Depreciation is proportionately higher in 2005 as a result of communities that have been added to discontinued operations after the first quarter of 2005. We cease depreciating an asset prospectively from the period it is added to discontinued operations. Gains and debt extinguishment costs are deal-specific and therefore will not necessarily correlate with the volume of activity in discontinued operations.

Liquidity and Capital Resources

We are committed to maintaining a strong balance sheet and preserving our financial flexibility, which we believe enhances our ability to capitalize on attractive investment opportunities as they become available. As a result of the significant cash flow generated by our operations, current cash positions, the available capacity under our unsecured credit facilities, gains from the disposition of real estate and our demonstrated ability to access the capital markets, we believe our liquidity and financial condition are sufficient to meet all of our reasonably anticipated cash flow needs during 2006. Please refer to the Condensed Consolidated Statement of Cash Flows for detailed information of our sources and uses of cash for the periods ending March 31, 2006 and 2005.

Scheduled Debt Maturities and Interest Payment Requirements

We have structured our long-term debt maturities in a manner designed to avoid unmanageable repayment obligations in any year, which would negatively impact our financial flexibility. We have \$62.3 million in scheduled maturities during 2006, and we have \$523.6 million and \$546.6 million of long-term debt maturing during 2007 and 2008, respectively. On April 26, 2006, we had \$180.5 million borrowed on our unsecured credit facilities, \$5.8 million outstanding under letters of credit and available borrowing capacity on our unsecured credit facilities of \$513.7 million.

Our unsecured credit facilities, long-term unsecured debt and mortgages payable had effective weighted average interest rates of 5.11%, 5.86% and 5.34%, respectively, as of March 31, 2006. All of these rates give effect to debt issuance costs, fair value hedges, the amortization of fair market value purchase adjustments and other fees and expenses, as applicable.

Our debt instruments generally contain covenants common to the type of facility or borrowing, including financial covenants establishing minimum debt service coverage ratios and maximum leverage ratios. We were in compliance with all financial covenants pertaining to our debt instruments as of and for the period ended March 31, 2006.

Unitholder Distribution Requirements

Based on anticipated distribution levels for 2006 and the number of units outstanding as of March 31, 2006, we anticipate that we will pay distributions of \$434.2 million in the aggregate during the year ended December 31, 2006. This amount represents distributions on our Common and Preferred Units.

Planned Investments

Following is a summary of planned investments as of March 31, 2006, including amounts for the REIT and Ameriton, but excluding unconsolidated joint ventures (dollar amounts in thousands). The amounts labeled "Discretionary" represent future investments that we plan to make, although there is not a contractual commitment to do so. The amounts labeled "Committed" represent the approximate amount that we are contractually committed to fund for communities under construction in accordance with construction contracts with general contractors. In Planning is defined as those parcels of land owned or Under Control, which are in the development planning process, upon which construction is expected subsequent to the completion of the entitlement and building permit processes. Under Control is the term we use to identify land parcels which we do not own, yet have an exclusive right to purchase through contingent contract or letter of intent during a contractually agreed upon time period, subject to approval of contingencies during the due diligence and entitlement processes.

	Planned Investments	
	Discretionary	Committed
Communities under redevelopment	\$ 2,744	\$ 13,104
Communities under construction	—	437,592
Communities In Planning and owned	1,151,808	—
Communities In Planning and Under Control	508,309	—
Community acquisitions under contract	523,250	—
FHA/ADA Settlement Capital Accrual	—	45,092
Total	<u>\$ 2,186,111</u>	<u>\$ 495,788</u>

In addition to the planned investments noted above, we expect to make additional investments in (i) unconsolidated joint ventures; (ii) recently acquired communities; and (iii) capital expenditures to improve and maintain our established operating communities.

We anticipate completion of most of the communities that are currently under construction and the planned operating community improvements by the end of 2008. No assurances can be given that communities we do not currently own will be acquired or that planned developments will actually occur. In addition, actual costs incurred could be greater or less than our current estimates.

Funding Sources

We anticipate financing our planned investment and operating needs primarily with cash flow from operating activities, disposition proceeds from our capital recycling program, existing cash balances and borrowings under our unsecured credit facilities, prior to arranging additional long-term financing. We have filed registration statements to facilitate issuance of debt and equity securities on an as-needed basis subject to our ability to effect offerings on satisfactory terms based on prevailing conditions. We had \$513.7 million in available capacity on our unsecured credit facilities, \$85.5 million of cash in tax-deferred exchange escrow and \$2.0 million of cash on hand at April 26, 2006. In addition, we expect to complete the disposition of \$1.1 to \$1.4 billion of Operating Trust operating communities during 2006.

Other Contingencies

During the second quarter of 2005, we entered into a full and final settlement in the United States District Court for the District of Maryland with three national disability organizations and agreed to make capital improvements in a number of our communities in order to make them fully compliant with the Fair Housing Act and Americans with Disabilities Act. The litigation, settled by this agreement, alleged lack of full compliance with certain design and construction requirements under the two federal statutes at 71 of the company's communities. As part of the settlement, the three disability organizations all recognized that Archstone-Smith had no intention to build any of its communities in a manner inconsistent with the FHA or ADA.

The amount of the capital expenditures required to remediate the remaining communities named in the settlement is estimated at \$47.2 million and was accrued as an addition to real estate, of which \$45.1 million remains accrued at March 31, 2006. The settlement agreement approved by the court allows us to remediate each of the designated communities over a three year period, and also provides that we are not restricted from selling any of our communities during the remediation period. We paid a settlement totaling \$1.4 million, which included legal fees and costs incurred by the plaintiffs.

During 2004 and 2005, we incurred losses associated with multiple hurricanes in Florida. As a result of this damage, we recorded charges for actual or estimated losses associated with both wholly owned and unconsolidated apartment communities and benefits for collected or estimated insurance recoveries. These estimates represent management's best estimate of the probable and reasonably estimable costs and related recoveries and are based on the most current information available from our insurance adjusters.

We are subject to various claims filed in 2002 and 2003 in connection with moisture infiltration and resulting mold issues at certain high-rise properties we once owned in Southeast Florida. These claims generally allege that water infiltration and resulting mold contamination resulted in the claimants having personal injuries and/or property damage. Although certain of these claims continue to be in various stages of litigation, with respect to the majority of these claims, we have either settled the claims and/or we have been dismissed from the lawsuits that had been filed. With respect to the lawsuits that have not been resolved, we continue to defend these claims in the normal course of litigation.

We are a party to various other claims and routine litigation arising in the ordinary course of business. We do not believe that the results of any such claims or litigation, individually or in the aggregate, will have a material adverse effect on our business, financial position or results of operations.

Critical Accounting Policies

We define critical accounting policies as those accounting policies that require our management to exercise their most difficult, subjective and complex judgments. Our management has discussed the development and selection of all of these critical accounting policies with our audit committee, and the audit committee has reviewed the disclosure relating to these policies. Our critical accounting policies relate principally to the following key areas:

Internal Cost Capitalization

We have an investment organization that is responsible for development and redevelopment of apartment communities. Consistent with GAAP, all direct and certain indirect costs, including interest and real estate taxes, incurred during development and redevelopment activities are capitalized. Interest is capitalized on real estate assets that require a period of time to get them ready for their intended use. The amount of interest capitalized is based upon the average amount of accumulated development expenditures during the reporting period. Included in capitalized costs are management's estimates of the direct and incremental personnel costs and indirect project costs associated with our development and redevelopment activities. Indirect project costs consist primarily of personnel costs associated with construction administration and development accounting, legal fees, and various office costs that clearly relate to projects under development. Because the estimation of capitalizable internal costs requires management's judgment, we believe internal cost capitalization is a "critical accounting estimate."

Valuation of Real Estate

Long-lived assets to be held and used are carried at cost and evaluated for impairment when events or changes in circumstances indicate such an evaluation is warranted. We also evaluate assets for potential impairment when we deem them to be held-for-sale. Valuation of real estate is considered a "critical accounting estimate" because the evaluation of impairment and the determination of fair values involve a number of management assumptions relating to future economic events that could materially affect the determination of the ultimate value, and therefore, the carrying amounts of our real estate. Furthermore, decisions regarding when a property should be classified as held-for-sale under SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets," requires significant management judgment. There are many phases to the disposition process ranging from the initial market research to being under contract with non-refundable earnest money. Deciding when management is committed to selling an asset is therefore highly subjective.

When determining if there is an indication of impairment, we estimate the asset's NOI over the anticipated holding period on an undiscounted cash flow basis and compare this amount to its carrying value. Estimating the expected NOI and holding period requires significant management judgment. If it is determined that there is an indication of impairment for assets to be held and used, or if an asset is deemed to be held-for-sale, we then determine the fair value of the asset.

The apartment industry uses capitalization rates as the primary measure of fair value. Specifically, annual NOI for a community is divided by an estimated capitalization rate to determine the fair value of the community. Determining the appropriate capitalization rate requires significant judgment and is typically based on many factors including the prevailing rate for the market or submarket, as well as the quality and location of the properties. Further, capitalization rates can fluctuate up or down due to a variety of factors in the overall economy or within local markets. If the actual capitalization rate for a community is significantly different from our estimated rate, the impairment evaluation for an individual asset could be materially affected.

Capital Expenditures and Depreciable Lives

We incur costs relating to redevelopment initiatives, revenue enhancing and expense reducing capital expenditures, and recurring capital expenditures that are capitalized as part of our real estate. These amounts are capitalized and depreciated over estimated useful lives determined by management. We allocate the cost of newly acquired properties between net tangible and identifiable intangible assets. The primary intangible asset associated with an apartment community acquisition is the value of the existing lease agreements. When allocating cost to an acquired property, we first allocate costs to the estimated intangible value of the existing lease agreements and then to the estimated value of the land, building and fixtures assuming the property is vacant. We estimate the intangible value of the lease agreements by determining the lost revenue associated with a hypothetical lease-up. We depreciate the building and fixtures based on the expected useful life of the asset and amortize the intangible value of the lease agreements over the average remaining life of the existing leases.

Determining whether expenditures meet the criteria for capitalization, the assignment of depreciable lives and determining the appropriate amounts to allocate between tangible and intangible assets for property acquisitions requires our management to exercise significant judgment and is therefore considered a "critical accounting estimate."

Pursuit Costs

We incur costs relating to the potential acquisition of real estate which we refer to as pursuit costs. To the extent that these costs are identifiable with a specific property and would be capitalized if the property were already acquired, the costs are accumulated by project and capitalized in the Other Assets section of the balance sheet. If these conditions are not met, the costs are expensed as incurred. Capitalized costs include but are not limited to earnest money, option fees, environmental reports, traffic reports, surveys, photos, blueprints, direct and incremental personnel costs (for development-related acquisitions) and legal costs. Upon acquisition, the costs are included in the basis of the acquired property. When it becomes probable that a prospective acquisition will not be acquired, the accumulated costs for the property are charged to other expense on the statement of earnings in the period such a determination is made.

Consolidation vs Equity Method of Accounting for Ventures

From time to time, we make co-investments in real estate ventures with third parties and are required to determine whether to consolidate or use the equity method of accounting for the venture. FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities," (as revised) and Emerging Issues Task Force EITF No. 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights," are the two primary sources of accounting guidance in this area. Appropriate application of these relatively complex rules requires substantial management judgment, which we believe makes the choice of the appropriate accounting method for these ventures a "critical accounting estimate."

Off Balance Sheet Arrangements

Our real estate investments in entities that do not qualify as variable interest entities, variable interest entities where we are not the primary beneficiary and entities we do not control through majority economic interest are not consolidated and are reported as investments in unconsolidated entities. Our investments in and advances to unconsolidated entities at March 31, 2006, aggregated \$147.3 million. Please refer to Note 4, "Investments in and Advances to Unconsolidated Entities" for additional information.

As part of the Smith Merger and the Oakwood transaction, we are required to indemnify certain unitholders for any personal income tax expense resulting from the sale of properties identified in tax protection agreements.

Contractual Commitments

The following is a summary of significant changes in contractual commitments for the three months ended March 31, 2006:

- During March 2006, the Operating Trust issued \$300 million in long-term unsecured ten-year senior notes with a coupon rate of 5.75% and an all-in effective interest rate of 5.89%.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Hedging Activities

We are exposed to the impact of interest rate changes and will occasionally utilize interest rate swaps and interest rate caps as hedges with the objective of lowering our overall borrowing costs. These derivatives are designated as either cash flow or fair value hedges. We do not use these derivatives for trading or other speculative purposes. Further, as a matter of policy, we only enter into contracts with major financial institutions based upon their credit ratings and other factors. When viewed in conjunction with the underlying and offsetting exposure that the derivatives are designed to hedge, we have not sustained, nor do we expect to sustain, a material loss from the use of these hedging instruments.

We formally assess, both at inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item. We measure hedge effectiveness by comparing the changes in the fair value or cash flows of the derivative instrument with the changes in the fair value or cash flows of the hedged item. We assess effectiveness of purchased interest rate caps based on overall changes in the fair value of the caps. If a derivative ceases to be a highly effective hedge, we discontinue hedge accounting prospectively.

Foreign Currency Hedging Activities

We are exposed to foreign-exchange related variability and earnings volatility on our foreign investments. We have entered into a foreign currency forward contract with a notional amount of €8.5 million and designated the contract as a cash flow hedge. The fair value of this forward contract at March 31, 2006 was \$(136,000).

Energy Contract Hedging Activities

We are exposed to price risk associated with the volatility of fuel oil and electricity rates. We have entered into contracts with several of our suppliers to fix our payments on set quantities of fuel oil and electricity. If the contract meets the criteria of a derivative, we designate these contracts as cash flow hedges of the overall changes in floating-rate payments made on our energy purchases. As of March 31, 2006, we had energy-related derivatives with aggregate notional amounts of \$2.8 million and an estimated fair value \$327,000. These contracts mature on or before December 31, 2006.

See Item 7A in our 2005 Form 10-K for detailed information about the qualitative and quantitative disclosures about our market risk.

Item 4. Controls and Procedures

An evaluation was carried out under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our internal control over financial reporting (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934). Based on their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our internal control over financial reporting was, to the best of their knowledge, effective as of March 31, 2006, to ensure that information required to be disclosed in reports that are filed or submitted under the Securities Exchange Act are recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Subsequent to March 31, 2006, there were no significant changes in the Trust's internal control over financial reporting or in other factors that could significantly affect these controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are party to various claims and routine litigation arising in the ordinary course of business. We do not believe that the results of any such claims and litigation, individually or in the aggregate, will have a material adverse effect on our business, financial position or results of operations.

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

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Events

None

Item 6. Exhibit Index

See Exhibit Index

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.

ARCHSTONE-SMITH OPERATING TRUST

BY: /s/ R. SCOT SELLERS
R. Scot Sellers
Chief Executive Officer

BY: /s/ CHARLES E. MUELLER, JR.
Charles E. Mueller, Jr
Chief Financial Officer
(Principal Financial Officer)

BY: /s/ MARK A. SCHUMACHER
Mark A. Schumacher
Senior Vice-President and Chief Accounting Officer
(Principal Accounting Officer)

Date: May 9, 2006

Item 6. Exhibits

- 3.1 Articles of Amendment and Restatement of Archstone-Smith Trust (incorporated by reference to Exhibit 4.1 to Archstone-Smith Trust's Current Report of Form 8-K filed with the SEC on November 1, 2001)
- 3.2 Articles of Amendment to Archstone-Smith Trust Articles of Amendment and Restatement (incorporated by reference to Exhibit 3.1 to Archstone-Smith Trust's Current Report on Form 8-K filed with the SEC on May 10, 2005)
- 3.3 Bylaws of Archstone-Smith Trust (incorporated by reference to Exhibit 4.2 to the Archstone-Smith Trust's Current Report on Form 8-K filed with the SEC on November 1, 2001)
- 3.4 Amendment to Archstone-Smith Trust Bylaws (incorporated by reference to Exhibit 3.1 to the Archstone-Smith Trust's Current Report on Form 8-K filed with the SEC on March 10, 2006)
- 10.1 Articles of Amendment and Restatement of Archstone-Smith Operating Trust (incorporated by reference to Exhibit 4.3 to the Archstone-Smith Trust's Current Report on Form 8-K filed with the SEC on November 1, 2001)
- 10.2 Bylaws of Archstone-Smith Operating Trust (incorporated by reference to Exhibit 4.4 to the Archstone-Smith Trust's Current Report on Form 8-K filed with the SEC on November 1, 2001)
- 10.3 Articles Supplementary for Series E Cumulative Redeemable Preferred Units of Beneficial Interest of Archstone-Smith Operating Trust (incorporated by reference to Exhibit 10.1 of Archstone-Smith Trust's Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2002)
- 10.4 Articles Supplementary for Series F Cumulative Redeemable Preferred Units of Beneficial Interest of Archstone-Smith Operating Trust (incorporated by reference to Exhibit 10.2 of Archstone-Smith Trust's Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2002)
- 10.5 Articles Supplementary for Series G Cumulative Redeemable Preferred Units of Beneficial Interest of Archstone-Smith Operating Trust (incorporated by reference to Exhibit 10.3 of Archstone-Smith Trust's Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2002)
- 10.6 Articles Supplementary for Series M Preferred Unit of Beneficial Interest of Archstone-Smith Operating Trust (incorporated by reference to Exhibit 3.1 to the Archstone-Smith Operating Trust's Current Report on Form 8-K filed with the SEC on December 16, 2004)
- 10.7 Articles Supplementary for Series N-1 Preferred Unit of Beneficial Interest and N-2 Preferred Unit of Beneficial Interest of Archstone-Smith Operating Trust (incorporated by reference to Exhibit 3.1 to the Archstone-Smith Operating Trust's Current Report on Form 8-K filed with the SEC on August 2, 2005)
- 12.1 Computation of Ratio of Earnings to Fixed Charges
- 12.2 Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Share Dividends
- 15.1 Independent Registered Public Accounting Firm Awareness Letter
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

ARCHSTONE-SMITH OPERATING TRUST
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollar amounts in thousands)

(Unaudited)

	Three Months Ended March 31,		Twelve Months Ended December 31,				
	2006 ⁽¹⁾	2005 ⁽¹⁾	2005 ⁽¹⁾	2004 ⁽¹⁾	2003 ⁽¹⁾	2002 ⁽¹⁾	2001 ⁽¹⁾
Earnings from operations	\$ 46,280	\$ 4,735	\$ 129,232	\$ 116,142	\$ 112,959	\$ 116,444	\$ 95,326
Add:							
Interest expense	57,428	40,429	188,447	138,621	117,037	119,305	51,878
Earnings as adjusted	<u>\$ 103,708</u>	<u>\$ 45,164</u>	<u>\$ 317,679</u>	<u>\$ 254,763</u>	<u>\$ 229,996</u>	<u>\$ 235,749</u>	<u>\$ 147,204</u>
Fixed charges:							
Interest expense	\$ 57,428	\$ 40,429	\$ 188,447	\$ 138,621	\$ 117,037	\$ 119,305	\$ 51,878
Capitalized interest	12,771	8,219	39,111	23,572	26,854	32,377	29,186
Total fixed charges	<u>\$ 70,199</u>	<u>\$ 48,648</u>	<u>\$ 227,558</u>	<u>\$ 162,193</u>	<u>\$ 143,891</u>	<u>\$ 151,682</u>	<u>\$ 81,064</u>
Ratio of earnings to fixed charges	<u>1.5</u>	<u>0.9</u>	<u>1.4</u>	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>	<u>1.8</u>

(1) Net earnings from discontinued operations have been reclassified for all periods presented.

ARCHSTONE-SMITH OPERATING TRUST
COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED UNIT DISTRIBUTIONS

(Dollar amounts in thousands)

(Unaudited)

	Three Months Ended March 31,			Twelve Months Ended December 31,			
	2006 ⁽¹⁾	2005 ⁽¹⁾	2005 ⁽¹⁾	2004 ⁽¹⁾	2003 ⁽¹⁾	2002 ⁽¹⁾	2001 ⁽¹⁾
Earnings from operations	\$ 46,280	\$ 4,735	\$ 129,232	\$ 116,142	\$ 112,959	\$ 116,444	\$ 95,326
Add:							
Interest expense	57,428	40,429	188,447	138,621	117,037	119,305	51,878
Earnings as adjusted	<u>\$ 103,708</u>	<u>\$ 45,164</u>	<u>\$ 317,679</u>	<u>\$ 254,763</u>	<u>\$ 229,996</u>	<u>\$ 235,749</u>	<u>\$ 147,204</u>
Combined fixed charges and Preferred Unit distributions:							
Interest expense	\$ 57,428	\$ 40,429	\$ 188,447	\$ 138,621	\$ 117,037	\$ 119,305	\$ 51,878
Capitalized interest	12,771	8,219	39,111	23,572	26,854	32,377	29,186
Total fixed charges	<u>70,199</u>	<u>48,648</u>	<u>227,558</u>	<u>162,193</u>	<u>143,891</u>	<u>151,682</u>	<u>81,064</u>
Preferred Unit distributions	958	1,698	4,572	16,254	26,153	34,309	25,877
Combined fixed charges and Preferred Unit distributions	<u>\$ 71,157</u>	<u>\$ 50,346</u>	<u>\$ 232,130</u>	<u>\$ 178,447</u>	<u>\$ 170,044</u>	<u>\$ 185,991</u>	<u>\$ 106,941</u>
Ratio of earnings to combined fixed charges and Preferred Unit distributions	<u>1.5</u>	<u>0.9</u>	<u>1.4</u>	<u>1.4</u>	<u>1.4</u>	<u>1.3</u>	<u>1.4</u>

(1) Net earnings from discontinued operations have been reclassified for all periods presented.

The Trustee
Archstone-Smith Operating Trust:

Re: Registration Statement No. 333-133285 (Form S-3)

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated May 9, 2006, related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered a part of a registration statement prepared or certified by an accountant, or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

Denver, Colorado
May 9, 2006

CERTIFICATIONS

I, R. Scot Sellers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Archstone-Smith Operating Trust (the "registrant").
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of trustees (or persons performing the equivalent function);
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

BY: /s/ R. SCOT SELLERS
R. Scot Sellers
Chief Executive Officer

Date: May 9, 2006

CERTIFICATIONS

I, Charles E. Mueller, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Archstone-Smith Operating Trust (the "registrant").
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of trustees (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

BY: /s/ CHARLES E. MUELLER, JR.
Charles E. Mueller, Jr.
Chief Financial Officer
(Principal Financial Officer)

Date: May 9, 2006

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, being the Chief Executive Officer of Archstone-Smith Operating Trust, a Maryland real estate investment trust (the "Issuer"), hereby certifies that the Quarterly Report on Form 10-Q (the "Periodic Report") of the Issuer for the quarter ended March 31, 2006 which accompanies this certification, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. §78m(a)) and that the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: May 9, 2006

/s/ R. SCOT SELLERS

R. Scot Sellers, Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, being the Chief Financial Officer of Archstone-Smith Operating Trust, a Maryland real estate investment trust (the "Issuer"), hereby certifies, that the Quarterly Report on Form 10-Q (the "Periodic Report") of the Issuer for the quarter ended March 31, 2006 which accompanies this certification, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. §78m(a)) and that the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: May 9, 2006

/s/ CHARLES E. MUELLER, JR.
Charles E. Mueller, Jr., Chief Financial Officer