

Associated Estates Realty Corporation

Second Quarter 2004

Earnings Release and Supplemental Financial Data



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Courtney Chase, located in Orlando, Florida, offers luxurious living at its best. With beautiful lake views, scenic walking trails, a resort-style pool with sundeck, outstanding architecture, and a state-of-the art fitness facility, Courtney Chase has the look and feel of a vacation resort. Amenities include walk-in closets, internet access, tile flooring, washers and dryers in unit, controlled access, vaulted ceilings and much more.

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"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: This news release contains forward-looking statements. Historical results and percentage relationships set forth in the Consolidated Statements of Operations contained in the financial statements of the Company's supplemental information, including trends which might appear, should not be taken as indicative of future operations. This news release may also contain forward-looking statements based on current judgments and current knowledge of management, which are subject to certain risks, trends and uncertainties that could cause actual results to vary from those projected. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. These forward-looking statements are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words "expects," "projects," "believes," "plans," "anticipates", and similar expressions are intended to identify forward looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as to the date of the document. Investors are cautioned that the Company's forward-looking statements involve risks and uncertainty, including without limitation the following: changes in economic conditions in the markets in which the Company owns and manages properties, including interest rates, the overall level of economic activity, the availability of consumer credit and mortgage financing, unemployment rates and other factors; risks of a lessening of demand for the multifamily units owned or managed by the Company; competition from other available apartments and change in market rental rates; increases in property and liability insurance costs; changes in government regulations affecting the Affordable Housing properties and other properties operated by the Company; changes in or termination of contracts relating to third party management and advisory business; inability to renew current Housing Assistance Payment ("HAP") contracts at existing rents; weather and other conditions that might adversely affect operating expenses; expenditures that cannot be anticipated such as utility rate and usage increases, unanticipated repairs, and real estate tax valuation reassessments; the inability of the Company to achieve anticipated reductions in operating expenses and increases in revenues; the results of litigation filed or to be filed against the Company; risks related to the Company's joint ventures; and risks of personal injury claims and property damage related to mold claims because of diminished insurance coverage.

Associated Estates Realty Corporation
Second Quarter 2004
Supplemental Financial Data

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**ASSOCIATED ESTATES REALTY CORPORATION ANNOUNCES
STRONG SECOND QUARTER RESULTS**

Cleveland, Ohio – July 28, 2004 - Associated Estates Realty Corporation (NYSE: AEC) today reported net income of \$0.37 per common share (basic and diluted) for the second quarter ended June 30, 2004 compared with a net loss of \$0.27 per common share (basic and diluted) for the second quarter ended June 30, 2003. The results for the second quarter of 2004 include a gain of approximately \$.50 per share from the sale of a property.

Funds from operations (FFO) for the quarter were \$0.29 per common share (basic and diluted) compared with \$0.15 per common share (basic and diluted) for the second quarter ended June 30, 2003. A reconciliation of net income to FFO is included on page 8.

The significant increase in FFO per share compared with the second quarter of 2003 consists primarily of an increase of \$0.12 per share in the contribution from the Company's same store (market rate) portfolio. The actual contribution from the same store (market-rate) portfolio was \$0.21 per share in the second quarter of 2004 compared with \$0.09 per share in the second quarter of 2003.

Total revenues for the quarter were \$40,429,000 compared with \$38,358,000 for the second quarter of 2003, an increase of 5.4 percent.

Additional quarterly and year to date financial information, including segment detail and performance by region for the Company's same-store portfolio, is included on pages 10 through 15.

Same Store (Market-Rate) Portfolio

Revenues for the quarter from the Company's same store (market-rate) portfolio were up 1.0 percent, and total property operating expenses for the same store (market-rate) portfolio decreased 9.5 percent, resulting in a 12.9 percent increase in net operating income (NOI) compared with the second quarter of 2003. The decline in property operating expenses reflects decreases in the following areas of expenses: personnel, advertising and promotion, building and grounds repair and maintenance, real estate taxes, and other operating expenses such as credit investigation costs.

For the second quarter, the average rent per unit for the same store (market-rate) properties declined 2.0 percent to \$788 per month, while the average net collected rent increased 1.0 percent to \$672 per month compared with the second quarter of 2003. Physical occupancy was 92.6 percent at the end of the quarter compared with 91.7 percent at the end of the second quarter of 2003.

Associated Estates Realty Corporation
Second Quarter Earnings

Same Store Portfolio – Sequential Quarterly Performance

On a sequential quarterly basis, the Company's same store (market-rate) portfolio performed as follows compared with the first quarter of 2004:

- . Revenues increased 1.2 percent
- . NOI declined slightly, by 0.8 percent
- . Average net collected rent increased 0.6 percent
- . Physical occupancy increased from 91.8 percent at the end of the first quarter of 2004, to 92.6 percent at the end of the second quarter of 2004

Year to Date Performance

For the six months ended June 30, 2004, net income was \$0.24 per common share (basic and diluted) compared with a net loss of \$0.55 per common share (basic and diluted) for the six months ended June 30, 2003. The results for the first half of 2004 include a gain of approximately \$.50 per share from the sale of a property in the second quarter.

Funds from operations (FFO) for the first six months of 2004 were \$0.58 per common share (basic and diluted) compared with \$0.30 per common share (basic and diluted) for the six months ended June 30, 2003. A reconciliation of net income to FFO is included on page 8.

Total revenues for the first six months of 2004 were \$80,324,000 compared with \$76,011,000 for the first half of 2003, an increase of 5.7 percent.

Acquisitions and Dispositions

In May 2004, the Company completed the sale of College Towers, a 459-unit student housing apartment community located near Kent State University in Kent, Ohio. In July, the principal portion of the proceeds from the sale of College Towers was invested in Courtney Chase Apartments, a newly constructed 288-unit apartment community located in Orlando, Florida. Courtney Chase is currently 94.0 percent occupied.

Outlook

"Although our second quarter same-store revenue growth was not quite what we had anticipated, we are very pleased with the continued improvement in our operating performance," said Jeffrey I. Friedman, President and CEO. "We are particularly pleased with the increase in our same store operating margins, which have improved almost six percentage points since last year as a result of increased revenues, occupancy gains, and our close watch on controllable expenses."

"Based on our second quarter performance, we expect to generate FFO for the year 2004 on the high end of our previously stated range of \$1.05 to \$1.10 per share," said Friedman. "At these FFO levels, we would expect our 2004 funds available for distribution (FAD) to be in excess of \$0.75 per share."

Associated Estates Realty Corporation
Financial and Operating Highlights
For the Three and Six Months Ended June 30, 2004 and 2003

(Unaudited; in thousands, except per share and ratio data)

| OPERATING INFORMATION | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------|---------------------------|-------------|
| | 2004 | 2003 | 2004 | 2003 |
| Total revenues | \$ 40,429 | \$ 38,358 | \$ 80,324 | \$ 76,011 |
| Property revenues | \$ 34,971 | \$ 34,522 | \$ 69,510 | \$ 68,254 |
| Net income (loss) applicable to common shareholders | \$ 7,181 | \$ (5,256) | \$ 4,745 | \$ (10,609) |
| Per share: | | | | |
| Basic | \$ 0.37 | \$ (0.27) | \$ 0.24 | \$ (0.55) |
| Diluted | \$ 0.37 | \$ (0.27) | \$ 0.24 | \$ (0.55) |
| Funds From Operations (FFO) ⁽¹⁾ | \$ 5,670 | \$ 2,815 | \$ 11,338 | \$ 5,835 |
| FFO per share: | | | | |
| Basic | \$ 0.29 | \$ 0.15 | \$ 0.58 | \$ 0.30 |
| Diluted | \$ 0.29 | \$ 0.15 | \$ 0.58 | \$ 0.30 |
| Funds Available for Distribution (FAD) ⁽²⁾ | \$ 4,567 | \$ 2,335 | \$ 9,811 | \$ 4,735 |
| Dividends per share | \$ 0.17 | \$ 0.17 | \$ 0.34 | \$ 0.34 |
| Payout ratio - FFO | 58.6% | 113.3% | 58.6% | 113.3% |
| Payout ratio - FAD | 73.9% | 141.7% | 66.7% | 141.7% |
| Common dividends - paid | \$ 3,337 | \$ 3,309 | \$ 6,651 | \$ 6,619 |
| Preferred dividends - paid | \$ 1,371 | \$ 1,372 | \$ 2,742 | \$ 2,743 |
| Service companies expense | \$ 929 | \$ 863 | \$ 1,902 | \$ 1,823 |
| General and administrative expense | \$ 1,879 | \$ 1,767 | \$ 3,714 | \$ 3,279 |
| Interest expense ⁽³⁾ | \$ 9,697 | \$ 10,118 | \$ 19,433 | \$ 19,855 |
| Interest coverage ratio ⁽⁴⁾ | 1.73:1 | 1.45:1 | 1.73:1 | 1.48:1 |
| Fixed charge coverage ratio ⁽⁵⁾ | 1.53:1 | 1.29:1 | 1.53:1 | 1.31:1 |
| General and administrative expense to property revenue | 5.4% | 5.1% | 5.3% | 4.8% |
| Interest expense to property revenue | 27.7% | 29.3% | 28.0% | 29.1% |
| Total NOI ⁽⁶⁾ | 19,198 | 16,891 | 38,275 | 33,323 |
| Property NOI ⁽⁷⁾ | 18,500 | 16,466 | 36,914 | 32,642 |
| ROA ⁽⁸⁾ | 7.8% | 7.6% | 7.8% | 7.6% |
| Same-store market rate revenue increase (decrease) | 1.0% | (1.9)% | 1.7% | (2.9)% |
| Same-store market rate expense (decrease) increase | (9.5)% | 10.4% | (9.3)% | 9.3% |
| Same-store market rate NOI increase (decrease) | 12.9% | (12.9)% | 13.8% | (13.5)% |
| Same-store market rate operating margins | 52.6% | 47.0% | 53.1% | 47.4% |

(1) The Company defines FFO as the inclusion of all operating results, both recurring and non-recurring, except those results defined as "extraordinary items" under GAAP, adjusted for depreciation on real estate assets and amortization of intangible assets and gains and losses from the disposition of properties and land. Adjustments for joint ventures are calculated to reflect FFO on the same basis. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs and should not be considered an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a measure of liquidity. The Company generally considers FFO to be a useful measure for reviewing the comparative operating and financial performance of the Company because FFO can help one compare the operating performance of a company's real estate between periods or as compared to different REITs. It should be noted, however, that certain other real estate companies may define FFO in a different manner.

(2) The Company defines FAD as FFO plus depreciation other and amortization of deferred financing fees less recurring fixed asset additions. Fixed asset additions exclude development, investment, revenue enhancing and non-recurring capital additions. Adjustments for joint ventures are calculated to reflect FAD on the same basis. The Company considers FAD to be an appropriate supplemental measure of the performance of an equity REIT because, like FFO, it captures real estate performance by excluding gains or losses from the disposition of properties and land and depreciation on real estate assets and amortization of intangible assets. Unlike FFO, FAD also reflects that recurring capital expenditures are necessary to maintain the associated real estate.

(3) Excludes amortization of financing fees of \$269 and \$537 for the three months and six months 2004 and \$295 and \$587 for the three and six months 2003.

(4) Is calculated as EBITDA divided by interest expense, including capitalized interest and amortization of deferred financing costs.

(5) Represents interest expense and preferred stock dividend payment coverage.

(6) NOI is determined by deducting property operating and maintenance expenses, direct property management and service companies expenses and painting service expense from total revenues. The Company evaluates the performance of its reportable segments based on NOI. The Company considers NOI to be an appropriate supplemental measure of our performance because it reflects the operating performance of our real estate portfolio and management and service companies at the property and management service company level and is used to assess regional property and management and service company level performance. NOI should not be considered an alternative to net income as a measure of performance or cash generated from operating activities in accordance with GAAP and, therefore, it should not be considered indicative of cash available to fund cash needs.

(7) Property NOI is determined by deducting property operating and maintenance expenses from total property revenue. The Company considers property NOI to be an appropriate supplemental measure of our performance because it reflects the operating performance of our real estate portfolio at the property level and is used to assess regional property level performance. NOI should not be considered an alternative to net income as a measure of performance or cash generated from operating activities in accordance with GAAP and, therefore, it should not be considered indicative of cash available to fund cash needs.

(8) ROA is calculated as trailing twelve month property NOI divided by average gross real estate assets.

Associated Estates Realty Corporation**Financial and Operating Highlights****Second Quarter 2004***(Unaudited; in thousands, except per share and ratio data)*

| | June 30, 2004 | December 31, 2003 |
|--|------------------|----------------------|
| MARKET CAPITALIZATION DATA | | |
| Net real estate investments | \$ 649,240 | \$ 661,585 |
| Total assets | \$ 701,870 | \$ 704,793 |
| Total debt | \$ 539,803 | \$ 543,496 |
| Minority interest | \$ 2,172 | \$ 2,172 |
| Preferred stock | \$ 56,250 | \$ 56,250 |
| Total shareholders' equity | \$ 120,468 | \$ 121,428 |
| Common shares outstanding | 19,641 | 19,479 |
| Share price, end of period | \$ 8.05 | \$ 7.31 |
| Total market capitalization ⁽¹⁾ | \$ 780,252 | \$ 768,543 |
| Debt to total assets | 76.9% | 77.1% |

(1) Includes our share of unconsolidated debt of \$26,194 and \$26,406 as of June 30, 2004 and December 31, 2003, respectively.

Associated Estates Realty Corporation
Financial and Operating Highlights
Second Quarter 2004

| PORTFOLIO INFORMATION | | |
|-------------------------------|-------------------|---------------|
| | | No. of |
| Company Portfolio: | <u>Properties</u> | <u>Units</u> |
| Directly owned: | | |
| Affordable Housing | 12 | 1,246 |
| "Same Store" Market Rate | 61 | 15,369 |
| Joint ventures ⁽¹⁾ | 4 | 1,239 |
| Third party managed: | | |
| Residential ⁽²⁾ | 28 | 5,709 |
| Commercial | <u>1</u> | <u>-</u> |
| Total Company Portfolio | <u>106</u> | <u>23,563</u> |

⁽¹⁾ On July 16, 2004, the Company acquired its joint venture partner's 76.0% interest in the Courtney Chase Apartments, a 288-unit apartment community located in Orlando, Florida.

⁽²⁾ Effective July 1, 2004, the Company assumed management of six properties containing 736 units, which are owned by a non-affiliated third party.

Associated Estates Realty Corporation
Condensed Consolidated Balance Sheets
Second Quarter 2004
(Unaudited; dollar amounts in thousands)

| | June 30, 2004 | December 31, 2003 |
|---|-------------------|----------------------|
| ASSETS | | |
| Real estate assets | | |
| Investment in real estate | \$ 925,512 | \$ 920,444 |
| Construction in progress | 3,596 | 5,527 |
| Less: accumulated depreciation | (279,868) | (264,386) |
| Real estate, net | 649,240 | 661,585 |
| Cash and cash equivalents | 1,909 | 2,212 |
| Restricted cash | 20,900 | 10,889 |
| Other assets | 29,821 | 30,107 |
| | <u>\$ 701,870</u> | <u>\$ 704,793</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Secured debt | \$ 539,698 | \$ 543,391 |
| Unsecured debt | 105 | 105 |
| Total indebtedness | 539,803 | 543,496 |
| Accounts payable and accrued expenses | 39,427 | 37,697 |
| Total liabilities | 579,230 | 581,193 |
| Operating partnership minority interest | 2,172 | 2,172 |
| Shareholders' equity | | |
| Preferred shares, Class A cumulative, without par value; 3,000,000 authorized; 225,000 issued and outstanding | 56,250 | 56,250 |
| Common shares, without par value, \$.10 stated value; 50,000,000 authorized; 22,995,763 issued and 19,640,844 and 19,478,681 outstanding at June 30, 2004 and December 31, 2003, respectively | 2,300 | 2,300 |
| Paid-in capital | 278,224 | 279,087 |
| Accumulated distributions in excess of accumulated net income | (186,369) | (184,436) |
| Less: Treasury shares, at cost, 3,354,919 and 3,517,082 shares at June 30, 2004 and December 31, 2003, respectively | (29,937) | (31,773) |
| Total shareholders' equity | <u>120,468</u> | <u>121,428</u> |
| | <u>\$ 701,870</u> | <u>\$ 704,793</u> |

Associated Estates Realty Corporation
Consolidated Statements of Operations
Three and Six Months Ended June 30, 2004 and 2003
(Unaudited; dollar and share amounts in thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-------------------|---------------------------|--------------------|
| | 2004 | 2003 | 2004 | 2003 |
| REVENUE | | | | |
| Rental income | \$ 33,888 | \$ 33,639 | \$ 67,380 | \$ 66,485 |
| Fee income and reimbursements | 2,942 | 3,274 | 6,388 | 6,801 |
| Other income | 3,599 | 1,445 | 6,556 | 2,725 |
| Total revenue | 40,429 | 38,358 | 80,324 | 76,011 |
| EXPENSES | | | | |
| Property operating and maintenance | 16,471 | 18,056 | 32,596 | 35,612 |
| Depreciation and amortization | 8,349 | 8,745 | 16,571 | 17,433 |
| Direct property management and service companies expenses | 3,030 | 2,948 | 6,323 | 6,211 |
| Painting services and charges | 1,784 | 502 | 3,226 | 947 |
| General and administrative | 1,879 | 1,767 | 3,714 | 3,279 |
| Total expenses | 31,513 | 32,018 | 62,430 | 63,482 |
| Operating income | 8,916 | 6,340 | 17,894 | 12,529 |
| Interest income | 54 | 39 | 96 | 82 |
| Interest expense, net | (9,966) | (10,413) | (19,970) | (20,442) |
| (Loss) income before equity in net loss of joint ventures, minority interest and income from discontinued operations | (996) | (4,034) | (1,980) | (7,831) |
| Equity in net loss of joint ventures | (168) | (64) | (426) | (418) |
| Minority interest in operating partnership | (16) | (21) | (32) | (43) |
| (Loss) income from continuing operations | (1,180) | (4,119) | (2,438) | (8,292) |
| Income from discontinued operations: | | | | |
| Operating income | 50 | 235 | 243 | 426 |
| Gain on disposition of property | 9,682 | - | 9,682 | - |
| Income from discontinued operations | 9,732 | 235 | 9,925 | 426 |
| Net income (loss) | 8,552 | (3,884) | 7,487 | (7,866) |
| Preferred share dividends | (1,371) | (1,372) | (2,742) | (2,743) |
| Net income (loss) applicable to common shares | <u>\$ 7,181</u> | <u>\$ (5,256)</u> | <u>\$ 4,745</u> | <u>\$ (10,609)</u> |
| Earnings per common share - basic: | | | | |
| (Loss) income from continuing operations applicable to common shares | \$ (0.13) | \$ (0.28) | \$ (0.27) | \$ (0.57) |
| Income from discontinued operations | 0.50 | 0.01 | 0.51 | 0.02 |
| Net income (loss) applicable to common shares | <u>\$ 0.37</u> | <u>\$ (0.27)</u> | <u>\$ 0.24</u> | <u>\$ (0.55)</u> |
| Earnings per common share - diluted: | | | | |
| (Loss) income from continuing operations applicable to common shares | \$ (0.13) | \$ (0.28) | \$ (0.27) | \$ (0.57) |
| Income from discontinued operations | 0.50 | 0.01 | 0.51 | 0.02 |
| Net income (loss) applicable to common shares | <u>\$ 0.37</u> | <u>\$ (0.27)</u> | <u>\$ 0.24</u> | <u>\$ (0.55)</u> |
| Funds From Operations (FFO) ⁽¹⁾ | <u>\$ 5,670</u> | <u>\$ 2,815</u> | <u>\$ 11,338</u> | <u>\$ 5,835</u> |
| Funds Available For Distribution (FAD) ⁽²⁾ | <u>\$ 4,567</u> | <u>\$ 2,335</u> | <u>\$ 9,811</u> | <u>\$ 4,735</u> |
| Weighted average shares outstanding - basic | <u>19,538</u> | <u>19,404</u> | <u>19,404</u> | <u>19,393</u> |
| Weighted average shares outstanding - diluted | <u>19,538</u> | <u>19,404</u> | <u>19,404</u> | <u>19,393</u> |

(1) The Company defines FFO as the inclusion of all operating results, both recurring and non-recurring, except those results defined as "extraordinary items" under GAAP, adjusted for depreciation on real estate assets and amortization of intangible assets and gains and losses from the disposition of properties and land. Adjustments for joint ventures are calculated to reflect FFO on the same basis. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs and should not be considered an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a measure of liquidity. The Company generally considers FFO to be a useful measure for reviewing the comparative operating and financial performance of the Company because FFO can help one compare the operating performance of a company's real estate between periods or as compared to different REITs. It should be noted, however, that certain other real estate companies may define FFO in a different manner.

(2) The Company defines FAD as FFO plus depreciation other and amortization of deferred financing fees less recurring fixed asset additions. Fixed asset additions exclude development, investment, revenue enhancing and non-recurring capital additions. Adjustments for joint ventures are calculated to reflect FAD on the same basis. The Company considers FAD to be an appropriate supplemental measure of the performance of an equity REIT because, like FFO, it captures real estate performance by excluding gains or losses from the disposition of properties and land and depreciation on real estate assets and amortization of intangible assets. Unlike FFO, FAD also reflects that recurring capital expenditures are necessary to maintain the associated real estate.

Associated Estates Realty Corporation
Reconciliation of Funds from Operations (FFO) and Funds Available for Distribution (FAD)
(In thousands, except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-----------------|---------------------------|-----------------|
| CALCULATION OF FFO AND FAD | 2004 | 2003 | 2004 | 2003 |
| Net income (loss) applicable to common shares | \$ 7,181 | \$ (5,256) | \$ 4,745 | \$ (10,609) |
| Add: Depreciation - real estate assets | 7,838 | 8,040 | 15,558 | 16,055 |
| Depreciation - real estate assets - joint ventures | 285 | 384 | 571 | 655 |
| Amortization of joint venture deferred costs | (30) | 19 | (9) | 28 |
| Amortization of intangible assets | 78 | 78 | 155 | 156 |
| Less: Gain on disposition of properties | (9,682) | (450) | (9,682) | (450) |
| Funds From Operations (FFO) ⁽¹⁾ | 5,670 | 2,815 | 11,338 | 5,835 |
| Add: Depreciation - other assets | 434 | 632 | 868 | 1,233 |
| Depreciation - other assets - joint ventures | 50 | 54 | 100 | 139 |
| Amortization of deferred financing fees | 269 | 295 | 537 | 587 |
| Amortization of deferred financing fees - joint ventures | 10 | 26 | 20 | 44 |
| Less: Fixed asset additions ⁽²⁾ | (1,848) | (1,446) | (3,034) | (3,059) |
| Fixed asset additions - joint ventures ⁽²⁾ | (18) | (41) | (18) | (44) |
| Funds Available for Distribution (FAD) ⁽³⁾ | \$ 4,567 | \$ 2,335 | \$ 9,811 | \$ 4,735 |
| Weighted average shares outstanding - basic | <u>19,538</u> | <u>19,404</u> | <u>19,404</u> | <u>19,393</u> |
| Weighted average shares outstanding - diluted | <u>19,538</u> | <u>19,404</u> | <u>19,404</u> | <u>19,393</u> |
| PER SHARE INFORMATION: | | | | |
| FFO - basic | \$ 0.29 | \$ 0.15 | \$ 0.58 | \$ 0.30 |
| FFO - diluted | \$ 0.29 | \$ 0.15 | \$ 0.58 | \$ 0.30 |
| Dividends | \$ 0.17 | \$ 0.17 | \$ 0.34 | \$ 0.34 |
| Payout ratio - FFO | 58.6% | 113.3% | 58.6% | 113.3% |
| Payout ratio - FAD | 73.9% | 141.7% | 66.7% | 141.7% |

(1) The Company defines FFO as the inclusion of all operating results, both recurring and non-recurring, except those results defined as "extraordinary items" under GAAP, adjusted for depreciation on real estate assets and amortization of intangible assets and gains and losses from the disposition of properties and land. Adjustments for joint ventures are calculated to reflect FFO on the same basis. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs and should not be considered an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a measure of liquidity. The Company generally considers FFO to be a useful measure for reviewing the comparative operating and financial performance of the Company because FFO can help one compare the operating performance of a company's real estate between periods or as compared to different REITs. It should be noted, however, that certain other real estate companies may define FFO in a different manner.

(2) Fixed asset additions exclude development, investment, revenue enhancing and non-recurring capital additions and only reflects the Company's prorata share of recurring joint venture capital additions.

(3) The Company defines FAD as FFO plus depreciation other and amortization of deferred financing fees less recurring fixed asset additions. Fixed asset additions exclude development, investment, revenue enhancing and non-recurring capital additions. Adjustments for joint ventures are calculated to reflect FAD on the same basis. The Company considers FAD to be an appropriate supplemental measure of the performance of an equity REIT because, like FFO, it captures real estate performance by excluding gains or losses from the disposition of properties and land and depreciation on real estate assets and amortization of intangible assets. Unlike FFO, FAD also reflects that recurring capital expenditures are necessary to maintain the associated real estate.

Associated Estates Realty Corporation
Overview of Operating Expenses Related to Repairs and Maintenance and Capitalized Expenditures
(In thousands, except estimated GAAP useful life and cost per unit)

| | | Six Months Ended June 30, 2004 | |
|---|--|-----------------------------------|---------------------------------|
| | Estimated GAAP Useful Life (Years) | Amount | Cost Per Unit ⁽¹⁾ |
| OPERATING EXPENSES RELATED TO REPAIRS AND MAINTENANCE | | | |
| Repairs and maintenance ⁽²⁾ | | \$ 6,064 | \$ 365 |
| Maintenance personnel labor cost ⁽²⁾ | | 3,445 | 207 |
| Total Operating Expenses Related to Repairs and Maintenance | | 9,509 | 572 |
| CAPITAL EXPENDITURES | | | |
| Recurring Capital Expenditures | | | |
| Amenities | 5 | 45 | 6 |
| Appliances | 5 | 267 | 16 |
| Building improvements ⁽³⁾ | 14 | 498 | 29 |
| Carpet and flooring | 5 | 1,149 | 68 |
| HVAC and mechanicals | 15 | 310 | 18 |
| Landscaping and grounds | 14 | 73 | 4 |
| Office/model | 5 | 20 | 1 |
| Suite improvements | 5 | 71 | 4 |
| Miscellaneous | 5 | 44 | 3 |
| Total Recurring Capital Expenditures - Properties | | 2,477 | 149 |
| Corporate capital expenditures ⁽⁴⁾ ⁽⁵⁾ | | 557 | 34 |
| Total Recurring Capital Expenditures | | 3,034 | 183 |
| Total Recurring Capital Expenditures and Repairs and Maintenance | | \$ 12,543 | \$ 755 |
| Total Recurring Capital Expenditures | | \$ 3,034 | |
| Investment/Revenue Enhancing Expenditures: | | | |
| Lobby renovation ⁽⁶⁾ | 30 | 764 | |
| Retail space buildout ⁽⁶⁾ | 5 | 24 | |
| Underground parking garage ⁽⁶⁾ | 30 | 1,516 | |
| Total Investment/Revenue Enhancing Expenditures | | 2,304 | |
| Grand Total Capital Expenditures | | \$ 5,338 | |

(1) Calculated using 16,615, including 1,246 affordable housing and 15,369 same store (market-rate).

(2) Included in property operating and maintenance expense in the Consolidated Statements of Operations.

(3) Includes primarily building exterior work, exterior painting and new roofs.

(4) Includes upgrades to computer hardware and software as well as corporate office furniture and fixtures.

(5) Includes \$16 of capital lease payments.

(6) Related to single market-rate asset.

Associated Estates Realty Corporation
Segment Information
(Unaudited, in thousands, except per share data)

| | Three Months Ended June 30, 2004 | | | | |
|---|----------------------------------|---------------------------|-----------------------|---|-----------|
| | Acquisitions/ Dispositions | Same Store Market Rate | Affordable Housing | Management and Service Operations | Total |
| Revenue | \$ - | \$ 32,515 | \$ 2,453 | \$ 5,461 | \$ 40,429 |
| Interest income | - | 1 | 2 | 51 | 54 |
| Expenses | - | 15,427 | 1,044 | 4,814 | 21,285 |
| NOI ⁽¹⁾ | - | 17,089 | 1,411 | 698 | 19,198 |
| Depreciation and amortization | - | 7,755 | 319 | 275 | 8,349 |
| General and administrative | - | 1,738 | 141 | - | 1,879 |
| Interest expense | - | 9,921 | 1 | 44 | 9,966 |
| | - | 19,414 | 461 | 319 | 20,194 |
| (Loss) income before equity in net income (loss) of joint ventures, minority interest and income from discontinued operations | - | (2,325) | 950 | 379 | (996) |
| Equity in net income (loss) of joint ventures | 51 | (176) | (43) | - | (168) |
| Minority interest in operating partnership | - | - | - | (16) | (16) |
| Income (loss) from continuing operations | 51 | (2,501) | 907 | 363 | (1,180) |
| Income from discontinued operations: | | | | | |
| Operating income | 50 | - | - | - | 50 |
| Gain on disposition of property | 9,682 | - | - | - | 9,682 |
| Net income (loss) | 9,783 | (2,501) | 907 | 363 | 8,552 |
| Preferred share dividends | (9) | (1,154) | (88) | (120) | (1,371) |
| Net income (loss) applicable to common shares | \$ 9,774 | \$ (3,655) | \$ 819 | \$ 243 | \$ 7,181 |
| Weighted average shares outstanding - basic | | | | | 19,538 |
| Weighted average shares outstanding - diluted | | | | | 19,538 |
| FFO per share - basic | \$ 0.01 | \$ 0.21 | \$ 0.06 | \$ 0.01 | \$ 0.29 |
| FFO per share - diluted | \$ 0.01 | \$ 0.21 | \$ 0.06 | \$ 0.01 | \$ 0.29 |

| | Three Months Ended June 30, 2003 | | | | |
|---|----------------------------------|---------------------------|-----------------------|---|------------|
| | Acquisitions/ Dispositions | Same Store Market Rate | Affordable Housing | Management and Service Operations | Total |
| Revenue | \$ - | \$ 32,173 | \$ 2,337 | \$ 3,848 | \$ 38,358 |
| Interest income | - | 11 | 1 | 27 | 39 |
| Expenses | - | 17,043 | 1,013 | 3,450 | 21,506 |
| NOI ⁽¹⁾ | - | 15,141 | 1,325 | 425 | 16,891 |
| Depreciation and amortization | - | 7,955 | 308 | 482 | 8,745 |
| General and administrative | - | 1,634 | 133 | - | 1,767 |
| Interest expense | - | 10,350 | 1 | 62 | 10,413 |
| | - | 19,939 | 442 | 544 | 20,925 |
| (Loss) income before equity in net income (loss) of joint ventures, minority interest and income from discontinued operations | - | (4,798) | 883 | (119) | (4,034) |
| Equity in net income (loss) of joint ventures | 299 | (319) | (44) | - | (64) |
| Minority interest in operating partnership | - | - | - | (21) | (21) |
| Income (loss) from continuing operations | 299 | (5,117) | 839 | (140) | (4,119) |
| Income from discontinued operations | 235 | - | - | - | 235 |
| Net income (loss) | 534 | (5,117) | 839 | (140) | (3,884) |
| Preferred share dividends | (21) | (1,195) | (90) | (66) | (1,372) |
| Net income (loss) applicable to common shares | \$ 513 | \$ (6,312) | \$ 749 | \$ (206) | \$ (5,256) |
| Weighted average shares outstanding - basic | | | | | 19,404 |
| Weighted average shares outstanding - diluted | | | | | 19,404 |
| FFO per share - basic | \$ 0.01 | \$ 0.09 | \$ 0.05 | \$ - | \$ 0.15 |
| FFO per share - diluted | \$ 0.01 | \$ 0.09 | \$ 0.05 | \$ - | \$ 0.15 |

(1) The Company evaluates the performance of its reportable segments based on NOI. NOI is determined by deducting property operating and maintenance expenses, direct property management and service companies expenses and painting service expense from total revenues. The Company considers NOI to be an appropriate supplemental measure of our performance because it reflects the operating performance of our real estate portfolio and management and service company at the property and management and service company level and is used to assess regional property and management and service company level performance. NOI should not be considered an alternative to net income as a measure of performance or cash generated from operating activities in accordance with GAAP and, therefore, it should not be considered indicative of cash available to fund cash needs.

Associated Estates Realty Corporation
Segment Information
(Unaudited, in thousands, except per share data)

| | Six Months Ended June 30, 2004 | | | | |
|---|--------------------------------|---------------------------|-----------------------|---|-----------|
| | Acquisitions/ Dispositions | Same Store Market Rate | Affordable Housing | Management and Service Operations | Total |
| Revenue | \$ - | \$ 64,639 | \$ 4,865 | \$ 10,820 | \$ 80,324 |
| Interest income | - | 3 | 3 | 90 | 96 |
| Expenses | - | 30,334 | 2,262 | 9,549 | 42,145 |
| NOI ⁽¹⁾ | - | 34,308 | 2,606 | 1,361 | 38,275 |
| Depreciation and amortization | - | 15,400 | 634 | 537 | 16,571 |
| General and administrative | - | 3,435 | 279 | - | 3,714 |
| Interest expense | - | 19,886 | 3 | 81 | 19,970 |
| | - | 38,721 | 916 | 618 | 40,255 |
| (Loss) income before equity in net income (loss) of joint ventures, minority interest and income from discontinued operations | - | (4,413) | 1,690 | 743 | (1,980) |
| Equity in net income (loss) of joint ventures | 50 | (396) | (80) | - | (426) |
| Minority interest in operating partnership | - | - | - | (32) | (32) |
| Income (loss) from continuing operations | 50 | (4,809) | 1,610 | 711 | (2,438) |
| Income from discontinued operations: | | | | | |
| Operating income | 243 | - | - | - | 243 |
| Gain on disposition of property | 9,682 | - | - | - | 9,682 |
| Net income (loss) | 9,975 | (4,809) | 1,610 | 711 | 7,487 |
| Preferred share dividends | (31) | (2,307) | (173) | (231) | (2,742) |
| Net income (loss) applicable to common shares | \$ 9,944 | \$ (7,116) | \$ 1,437 | \$ 480 | \$ 4,745 |
| Weighted average shares outstanding - basic | | | | | 19,404 |
| Weighted average shares outstanding - diluted | | | | | 19,404 |
| FFO per share - basic | \$ 0.02 | \$ 0.42 | \$ 0.11 | \$ 0.03 | \$ 0.58 |
| FFO per share - diluted | \$ 0.02 | \$ 0.42 | \$ 0.11 | \$ 0.03 | \$ 0.58 |

| | Six Months Ended June 30, 2003 | | | | |
|---|--------------------------------|---------------------------|-----------------------|---|-------------|
| | Acquisitions/ Dispositions | Same Store Market Rate | Affordable Housing | Management and Service Operations | Total |
| Revenue | \$ - | \$ 63,560 | \$ 4,671 | \$ 7,780 | \$ 76,011 |
| Interest income | - | 20 | 3 | 59 | 82 |
| Expenses | - | 33,423 | 2,189 | 7,158 | 42,770 |
| NOI ⁽¹⁾ | - | 30,157 | 2,485 | 681 | 33,323 |
| Depreciation and amortization | - | 15,875 | 616 | 942 | 17,433 |
| General and administrative | - | 3,033 | 246 | - | 3,279 |
| Interest expense | - | 20,313 | 2 | 127 | 20,442 |
| | - | 39,221 | 864 | 1,069 | 41,154 |
| (Loss) income before equity in net income (loss) of joint ventures, minority interest and income from discontinued operations | - | (9,064) | 1,621 | (388) | (7,831) |
| Equity in net income (loss) of joint ventures | 191 | (557) | (52) | - | (418) |
| Minority interest in operating partnership | - | - | - | (43) | (43) |
| Income (loss) from continuing operations | 191 | (9,621) | 1,569 | (431) | (8,292) |
| Income from discontinued operations | 426 | - | - | - | 426 |
| Net income (loss) | 617 | (9,621) | 1,569 | (431) | (7,866) |
| Preferred share dividends | (40) | (2,396) | (176) | (131) | (2,743) |
| Net income (loss) applicable to common shares | \$ 557 | \$ (12,017) | \$ 1,393 | \$ (562) | \$ (10,609) |
| Weighted average shares outstanding - basic | | | | | 19,393 |
| Weighted average shares outstanding - diluted | | | | | 19,393 |
| FFO per share - basic | \$ 0.02 | \$ 0.20 | \$ 0.10 | \$ (0.02) | \$ 0.30 |
| FFO per share - diluted | \$ 0.02 | \$ 0.20 | \$ 0.10 | \$ (0.02) | \$ 0.30 |

(1) The Company evaluates the performance of its reportable segments based on NOI. NOI is determined by deducting property operating and maintenance expenses, direct property management and service companies expenses and painting service expense from total revenues. The Company considers NOI to be an appropriate supplemental measure of our performance because it reflects the operating performance of our real estate portfolio and management and service company at the property and management and service company level and is used to assess regional property and management and service company level performance. NOI should not be considered an alternative to net income as a measure of performance or cash generated from operating activities in accordance with GAAP and, therefore, it should not be considered indicative of cash available to fund cash needs.

Associated Estates Realty Corporation
"Same Store" Market Rate Data
Operating Results for the Last Five Quarters
(Unaudited, in thousands, except unit totals and per unit amounts)

| | Quarter Ended | | | | |
|--|------------------|-------------------|----------------------|-----------------------|------------------|
| | June 30, 2004 | March 31, 2004 | December 31, 2003 | September 30, 2003 | June 30, 2003 |
| Revenues | | | | | |
| Rental | \$ 31,527 | \$ 31,148 | \$ 31,511 | \$ 31,936 | \$ 31,303 |
| Other income | 989 | 978 | 1,005 | 893 | 881 |
| Total Revenue | <u>32,516</u> | <u>32,126</u> | <u>32,516</u> | <u>32,829</u> | <u>32,184</u> |
| Property Operating and Maintenance Expenses | | | | | |
| Personnel | 4,015 | 4,025 | 4,174 | 4,716 | 4,337 |
| Advertising | 457 | 422 | 509 | 662 | 685 |
| Utilities | 1,869 | 2,355 | 2,086 | 2,021 | 1,796 |
| Repairs and maintenance | 3,298 | 2,537 | 3,374 | 3,908 | 3,792 |
| Real estate taxes and insurance | 4,334 | 4,195 | 3,890 | 4,425 | 4,787 |
| Other operating | 1,454 | 1,373 | 1,499 | 1,685 | 1,646 |
| Total Expenses | <u>15,427</u> | <u>14,907</u> | <u>15,532</u> | <u>17,417</u> | <u>17,043</u> |
| Net Operating Income | <u>\$ 17,089</u> | <u>\$ 17,219</u> | <u>\$ 16,984</u> | <u>\$ 15,412</u> | <u>\$ 15,141</u> |
| Operating Margin | <u>52.6%</u> | <u>53.6%</u> | <u>52.2%</u> | <u>46.9%</u> | <u>47.0%</u> |
| Total Number of Units | <u>15,369</u> | <u>15,369</u> | <u>15,369</u> | <u>15,369</u> | <u>15,369</u> |
| NOI Per Unit | <u>\$ 1,112</u> | <u>\$ 1,120</u> | <u>\$ 1,105</u> | <u>\$ 1,003</u> | <u>\$ 985</u> |
| Average Net Collected Per Unit ⁽¹⁾ | <u>\$ 672</u> | <u>\$ 668</u> | <u>\$ 677</u> | <u>\$ 677</u> | <u>\$ 666</u> |
| Physical Occupancy - End of Period ⁽²⁾ | <u>92.6%</u> | <u>91.8%</u> | <u>92.5%</u> | <u>93.6%</u> | <u>91.7%</u> |
| Average Economic Occupancy ⁽³⁾ | <u>85.3%</u> | <u>85.6%</u> | <u>86.6%</u> | <u>85.7%</u> | <u>82.8%</u> |

(1) Represents gross potential rents less vacancies and allowances.

(2) Is defined as number of units occupied divided by total number of units at the end of the period.

(3) Is defined as potential rent less vacancies and concessions divided by potential rent.

Associated Estates Realty Corporation
"Same-Store" Market Rate Data
Three Months Ended June 30, 2004 and 2003

| | | Three Months Ended June 30, | | | |
|---------------------------------------|--------|-----------------------------|---------|--------|---------|
| | | 2004 | | 2003 | |
| REVENUE GROWTH | | | | | |
| Region | No. of | % | % of | % | % of |
| | Units | Change | Revenue | Change | Revenue |
| Arizona | 204 | 6.5% | 1.2% | (6.2)% | 1.1% |
| Florida | 1,128 | 3.6% | 9.6% | (2.6)% | 9.3% |
| Georgia | 706 | 6.8% | 4.1% | (4.6)% | 3.8% |
| Indiana | 836 | (1.9)% | 5.4% | (6.3)% | 5.6% |
| Metro D.C. | 667 | 2.7% | 6.3% | (0.8)% | 6.2% |
| Michigan | 2,888 | 1.0% | 18.9% | (2.5)% | 19.0% |
| North Carolina | 276 | 3.7% | 1.5% | (8.0)% | 1.5% |
| Ohio - Central Ohio | 3,135 | (1.7)% | 18.6% | (0.2)% | 19.2% |
| Ohio - Northeastern Ohio | 3,727 | 2.8% | 23.6% | (1.5)% | 23.2% |
| Ohio - Northeastern - Congregate Care | 170 | (7.1)% | 1.3% | 27.8% | 1.4% |
| Ohio - Toledo, Ohio | 1,060 | (3.3)% | 6.0% | (4.4)% | 6.2% |
| Pennsylvania | 468 | 3.9% | 2.7% | (0.5)% | 2.6% |
| Texas | 104 | (6.2)% | 0.8% | (0.7)% | 0.9% |
| Total "Same Store" Market Rate | 15,369 | 1.0% | 100.0% | (1.9)% | 100.0% |

| | | Three Months Ended June 30, | | | |
|---------------------------------------|--------|-----------------------------|---------|--------|---------|
| | | 2004 | | 2003 | |
| EXPENSE GROWTH | | | | | |
| Region | No. of | % | % of | % | % of |
| | Units | Change | Expense | Change | Expense |
| Arizona | 204 | (11.3)% | 1.2% | 6.0% | 1.3% |
| Florida | 1,128 | (0.4)% | 10.4% | 18.4% | 9.4% |
| Georgia | 706 | (11.5)% | 4.7% | (2.7)% | 4.8% |
| Indiana | 836 | (32.5)% | 5.3% | 37.6% | 7.1% |
| Metro D.C. | 667 | (7.1)% | 4.6% | 17.2% | 4.5% |
| Michigan | 2,888 | (4.4)% | 17.7% | 1.3% | 16.7% |
| North Carolina | 276 | (3.2)% | 1.6% | 11.1% | 1.5% |
| Ohio - Central Ohio | 3,135 | (9.7)% | 17.5% | 2.4% | 17.3% |
| Ohio - Northeastern Ohio | 3,727 | (10.6)% | 24.8% | 9.7% | 25.1% |
| Ohio - Northeastern - Congregate Care | 170 | (13.5)% | 2.6% | 51.7% | 2.7% |
| Ohio - Toledo, Ohio | 1,060 | (6.8)% | 5.8% | 18.8% | 5.7% |
| Pennsylvania | 468 | (8.8)% | 2.8% | 22.4% | 2.7% |
| Texas | 104 | (4.1)% | 1.0% | 5.5% | 1.2% |
| Total "Same Store" Market Rate | 15,369 | (9.5)% | 100.0% | 10.4% | 100.0% |

| | | Three Months Ended June 30, | | | |
|---------------------------------------|--------|-----------------------------|--------|----------|--------|
| | | 2004 | | 2003 | |
| NOI GROWTH | | | | | |
| Region | No. of | % | % of | % | % of |
| | Units | Change | NOI | Change | NOI |
| Arizona | 204 | 31.1% | 1.2% | (19.0)% | 1.0% |
| Florida | 1,128 | 8.1% | 8.8% | (19.3)% | 9.2% |
| Georgia | 706 | 43.5% | 3.5% | (8.2)% | 2.7% |
| Indiana | 836 | 62.5% | 5.5% | (44.0)% | 3.8% |
| Metro D.C. | 667 | 8.9% | 7.8% | (9.5)% | 8.0% |
| Michigan | 2,888 | 5.7% | 20.1% | (5.6)% | 21.5% |
| North Carolina | 276 | 12.0% | 1.4% | (23.7)% | 1.4% |
| Ohio - Central Ohio | 3,135 | 5.8% | 19.7% | (2.6)% | 21.0% |
| Ohio - Northeastern Ohio | 3,727 | 20.7% | 22.5% | (13.4)% | 21.1% |
| Ohio - Northeastern - Congregate Care | 170 | (116.7)% | 0.0% | (174.8)% | (0.2)% |
| Ohio - Toledo, Ohio | 1,060 | 0.0% | 6.1% | (19.0)% | 6.9% |
| Pennsylvania | 468 | 19.7% | 2.6% | (19.3)% | 2.5% |
| Texas | 104 | (8.1)% | 0.8% | (5.6)% | 1.1% |
| Total "Same Store" Market Rate | 15,369 | 12.9% | 100.0% | (12.9)% | 100.0% |

Associated Estates Realty Corporation
"Same-Store" Market Rate Data
Six Months Ended June 30, 2004 and 2003

| | | Six Months Ended June 30, | | | |
|---------------------------------------|--------|---------------------------|---------|---------|---------|
| | | 2004 | | 2003 | |
| REVENUE GROWTH | | | | | |
| Region | No. of | % | % of | % | % of |
| | Units | Change | Revenue | Change | Revenue |
| | | | | | |
| Arizona | 204 | 7.3% | 1.3% | (8.3)% | 1.2% |
| Florida | 1,128 | 2.5% | 9.4% | (3.3)% | 9.3% |
| Georgia | 706 | 5.0% | 4.1% | (4.1)% | 3.9% |
| Indiana | 836 | (2.0)% | 5.4% | (5.5)% | 5.6% |
| Metro D.C. | 667 | 1.0% | 6.2% | (0.3)% | 6.3% |
| Michigan | 2,888 | 1.9% | 19.0% | (3.5)% | 19.0% |
| North Carolina | 276 | 8.3% | 1.5% | (11.2)% | 1.4% |
| Ohio - Central Ohio | 3,135 | 1.9% | 18.9% | (1.7)% | 18.9% |
| Ohio - Northeastern Ohio | 3,727 | 2.1% | 23.5% | (2.5)% | 23.4% |
| Ohio - Northeastern - Congregate Care | 170 | (5.7)% | 1.3% | 29.0% | 1.4% |
| Ohio - Toledo, Ohio | 1,060 | (2.8)% | 5.9% | (6.4)% | 6.2% |
| Pennsylvania | 468 | 6.6% | 2.7% | (3.7)% | 2.6% |
| Texas | 104 | (5.2)% | 0.8% | 0.7% | 0.8% |
| Total "Same Store" Market Rate | 15,369 | 1.7% | 100.0% | (2.9)% | 100.0% |

| | | Six Months Ended June 30, | | | |
|---------------------------------------|--------------|---------------------------|--------------|----------|--------------|
| | | 2004 | | 2003 | |
| EXPENSE GROWTH | | | | | |
| Region | No. of Units | % Change | % of Expense | % Change | % of Expense |
| Arizona | 204 | (8.9)% | 1.3% | 3.1% | 1.3% |
| Florida | 1,128 | (3.2)% | 10.1% | 12.6% | 9.5% |
| Georgia | 706 | (13.9)% | 4.7% | 1.7% | 5.0% |
| Indiana | 836 | (28.0)% | 4.8% | 27.7% | 6.1% |
| Metro D.C. | 667 | (4.9)% | 4.7% | 13.6% | 4.5% |
| Michigan | 2,888 | (5.1)% | 17.4% | 3.5% | 16.7% |
| North Carolina | 276 | (6.7)% | 1.5% | 8.4% | 1.5% |
| Ohio - Central Ohio | 3,135 | (7.1)% | 17.6% | 2.2% | 17.2% |
| Ohio - Northeastern Ohio | 3,727 | (12.0)% | 25.6% | 9.4% | 26.4% |
| Ohio - Northeastern - Congregate Care | 170 | (6.4)% | 2.9% | 44.1% | 2.8% |
| Ohio - Toledo, Ohio | 1,060 | (7.0)% | 5.7% | 14.9% | 5.5% |
| Pennsylvania | 468 | (10.2)% | 2.8% | 20.4% | 2.8% |
| Texas | 104 | (2.6)% | 0.9% | 9.5% | 0.7% |
| Total "Same Store" Market Rate | 15,369 | (9.3)% | 100.0% | 9.3% | 100.0% |

| | | Six Months Ended June 30, | | | |
|---------------------------------------|--------|---------------------------|--------|----------|--------|
| | | 2004 | | 2003 | |
| NOI GROWTH | | | | | |
| Region | No. of | % | % of | % | % of |
| | Units | Change | NOI | Change | NOI |
| Arizona | 204 | 27.4% | 1.2% | (19.4)% | 1.1% |
| Florida | 1,128 | 9.1% | 8.7% | (17.0)% | 9.1% |
| Georgia | 706 | 42.0% | 3.5% | (13.8)% | 2.8% |
| Indiana | 836 | 33.0% | 5.9% | (30.1)% | 5.0% |
| Metro D.C. | 667 | 4.6% | 7.6% | (7.1)% | 8.2% |
| Michigan | 2,888 | 8.0% | 20.5% | (8.8)% | 21.6% |
| North Carolina | 276 | 26.5% | 1.5% | (27.3)% | 1.4% |
| Ohio - Central Ohio | 3,135 | 10.3% | 20.0% | (5.0)% | 20.7% |
| Ohio - Northeastern Ohio | 3,727 | 22.7% | 21.6% | (15.9)% | 20.0% |
| Ohio - Northeastern - Congregate Care | 170 | (26.6)% | (0.1)% | (158.1)% | (0.1)% |
| Ohio - Toledo, Ohio | 1,060 | 0.9% | 6.1% | (19.7)% | 6.9% |
| Pennsylvania | 468 | 29.3% | 2.6% | (24.1)% | 2.3% |
| Texas | 104 | (7.5)% | 0.9% | (5.9)% | 1.0% |
| Total "Same Store" Market Rate | 15,369 | 13.8% | 100.0% | (13.5)% | 100.0% |

Associated Estates Realty Corporation
"Same-Store" Market Rate Data
As of June 30, 2004 and June 30, 2003

RENTAL

| | | | Net Rent Collected per Unit ⁽¹⁾ | | | Physical Occupancy ⁽²⁾ | | Turnover Ratio ⁽³⁾ | |
|-----------------------------------|---------------|----------------------------|--|---------------|-------------|-----------------------------------|--------------|-------------------------------|--------------|
| | | | Q2 | Q2 | % | Q2 | Q2 | Q2 | Q2 |
| | No. of Units | Average Age ⁽⁴⁾ | 2004 | 2003 | Change | 2004 | 2003 | 2004 | 2003 |
| Arizona | 204 | 15 | \$ 639 | \$ 602 | 6.1% | 95.1% | 94.6% | 64.8% | 56.8% |
| Florida | 1,128 | 8 | 901 | 863 | 4.4% | 96.5% | 89.5% | 54.4% | 60.8% |
| Georgia | 706 | 17 | 613 | 575 | 6.6% | 94.8% | 86.5% | 67.6% | 68.4% |
| Indiana | 836 | 9 | 684 | 698 | (2.0)% | 95.1% | 95.8% | 80.8% | 84.4% |
| Metro D.C. | 667 | 18 | 1,002 | 975 | 2.8% | 95.5% | 94.8% | 54.0% | 48.4% |
| Michigan | 2,888 | 14 | 679 | 677 | 0.3% | 94.4% | 93.5% | 74.8% | 64.4% |
| North Carolina | 276 | 10 | 578 | 554 | 4.3% | 91.7% | 93.5% | 62.4% | 55.2% |
| Ohio - Central Ohio | 3,135 | 12 | 629 | 636 | (1.1)% | 92.4% | 96.9% | 68.0% | 59.2% |
| Ohio - Northeastern Ohio | 3,727 | 17 | 626 | 609 | 2.8% | 90.2% | 86.2% | 54.0% | 54.0% |
| Ohio - Northeastern - Congregate | 170 | 22 | 548 | 653 | (16.1)% | 68.2% | 69.4% | 23.6% | 11.6% |
| Ohio - Toledo, Ohio | 1,060 | 23 | 585 | 602 | (2.8)% | 90.9% | 94.3% | 70.4% | 75.6% |
| Pennsylvania | 468 | 18 | 596 | 591 | 0.8% | 91.7% | 89.7% | 66.0% | 62.4% |
| Texas | 104 | 11 | 877 | 936 | (6.3)% | 92.3% | 98.1% | 54.0% | 65.2% |
| Total/Average "Same Store" | | | | | | | | | |
| Market Rate | <u>15,369</u> | <u>15</u> | <u>\$ 672</u> | <u>\$ 666</u> | <u>0.9%</u> | <u>92.6%</u> | <u>91.7%</u> | <u>64.4%</u> | <u>60.8%</u> |

(1) Represents gross potential rents less vacancies and allowances.

(2) Represents physical occupancy at the end of the period.

(3) Represents the number of units turned over for the period, divided by the number of units in the region, annualized.

(4) Age shown in years.

Associated Estates Realty Corporation
Debt Structure
As of June 30, 2004
(Dollar and share amounts in thousands)

| | Balance | Percentage | Weighted |
|--|-------------------|---------------|---------------|
| | Outstanding | of | Average |
| | June 30, 2004 | Total Debt | Interest Rate |
| FIXED RATE DEBT | | | |
| Unsecured | \$ 105 | 0.0% | 6.9% |
| Secured | 482,359 | 89.5% | 7.5% |
| Total fixed rate debt | 482,464 | 89.5% | 7.5% |
| VARIABLE RATE DEBT | | | |
| Secured lines of credit | 2,000 | 0.3% | 2.8% |
| Secured | 55,339 | 10.2% | 4.3% |
| Total variable rate debt | 57,339 | 10.5% | 4.2% |
| TOTAL DEBT | <u>\$ 539,803</u> | <u>100.0%</u> | <u>7.2%</u> |
| Interest coverage ratio ⁽¹⁾ | 1.73:1 | | |
| Fixed charge coverage ratio ⁽²⁾ | 1.53:1 | | |
| Weighted average maturity | 5.1 years | | |

| SCHEDULED PRINCIPAL MATURITIES | | | |
|---------------------------------------|---------------|-------------------|-------------------|
| | Unsecured | Secured | Total |
| 2004 | \$ 105 | \$ - | \$ 105 |
| 2005 | - | 27,919 | 27,919 |
| 2006 ⁽³⁾ | - | 33,625 | 33,625 |
| 2007 | - | 82,872 | 82,872 |
| 2008 | - | 41,527 | 41,527 |
| Thereafter | - | 353,755 | 353,755 |
| Total | <u>\$ 105</u> | <u>\$ 539,698</u> | <u>\$ 539,803</u> |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-----------------|---------------------------|-----------------|
| | 2004 | 2003 | 2004 | 2003 |
| CAPITALIZED INTEREST | | | | |
| Interest capitalized | \$ - | \$ (22) | \$ - | \$ (29) |
| INTEREST RATE SWAP | | | | |
| Amortization of termination fee ⁽⁴⁾ | \$ (119) | \$ (119) | \$ (238) | \$ (238) |
| Interest rate swap expense ⁽⁵⁾ | (272) | (217) | (502) | (433) |
| Total | <u>\$ (391)</u> | <u>\$ (336)</u> | <u>\$ (740)</u> | <u>\$ (671)</u> |

(1) Is calculated as EBITDA divided by interest expense, including capitalized interest and amortization of deferred financing costs.

(2) Represents interest expense and preferred stock and restricted stock dividend payment coverage.

(3) Includes the scheduled maturity on one of the Company's line of credit, the outstanding balance of which was \$2.0 million at June 30, 2004.

(4) On December 11, 2000, the Company executed termination agreements for two swaps. The Company received termination payments totaling \$3.2 million, which are being amortized over the remaining terms of the swaps through 2007, at the rate of \$37,693 per month or \$476,317 per year.

(5) On June 30, 2004, the Company terminated the swap on the Watergate Apartments loan, which was scheduled to expire on August 1, 2004, and received a termination fee of \$36,000, which is included in the three months and six months ended June 30, 2004.

Associated Estates Realty Corporation
Joint Venture Summary Data
For the Three and Six Months Ended June 30, 2004 and 2003
(Unaudited, dollar amounts in thousands)

| Balance Sheet Data | June 30, | December 31, |
|-------------------------------|------------------|------------------|
| | <u>2004</u> | <u>2003</u> |
| Real estate, net | \$ 76,526 | \$ 77,898 |
| Other assets | <u>2,890</u> | <u>3,266</u> |
| | <u>\$ 79,416</u> | <u>\$ 81,164</u> |
| Amount payable to the Company | \$ - | \$ 152 |
| Mortgage payable | 61,336 | 61,769 |
| Other liabilities | 1,761 | 949 |
| Equity | <u>16,319</u> | <u>18,294</u> |
| | <u>\$ 79,416</u> | <u>\$ 81,164</u> |

| Beneficial Interest in Operations | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-----------------|---------------------------|-----------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| Revenue | \$ 1,158 | \$ 794 | \$ 2,212 | \$ 1,529 |
| Cost of operations | <u>686</u> | <u>562</u> | <u>1,282</u> | <u>1,027</u> |
| Revenue less cost of operation | 472 | 232 | 930 | 502 |
| Interest income | - | 1 | - | 2 |
| Interest expense, net | (323) | (325) | (676) | (624) |
| Depreciation - real estate assets | (286) | (267) | (571) | (396) |
| Depreciation - other | (50) | (49) | (100) | (125) |
| Amortization of deferred costs | 30 | (19) | 9 | (28) |
| Amortization of deferred financing fees | <u>(10)</u> | <u>(20)</u> | <u>(20)</u> | <u>(38)</u> |
| (Loss) income from continuing operations | (167) | (447) | (428) | (707) |
| Income from discontinued operations: | | | | |
| Operating (loss) income | (1) | (67) | 2 | (161) |
| Gain on disposition of property | <u>-</u> | <u>450</u> | <u>-</u> | <u>450</u> |
| Net (loss) income | (168) | (64) | (426) | (418) |
| Add: | | | | |
| Depreciation - real estate assets | 286 | 384 | 571 | 655 |
| Amortization of deferred costs | (30) | 19 | (9) | 28 |
| Less: | | | | |
| Gain on disposition of property | <u>-</u> | <u>(450)</u> | <u>-</u> | <u>(450)</u> |
| Funds From Operations (FFO) ⁽¹⁾ | <u>\$ 88</u> | <u>\$ (111)</u> | <u>\$ 136</u> | <u>\$ (185)</u> |

| Summary of Debt | Number of Units | At 100% | AERC's Prorata Share | Maturity Date |
|---|--------------------|------------------|-------------------------|---------------|
| Lakeshore Village (50.0% Affordable Housing) | 108 | \$ 3,741 | \$ 1,871 | 11/1/2023 |
| Idlewylde Phase I (49.0% Market Rate) | 308 | 16,711 | 8,188 | 5/31/2005 |
| Idlewylde Phase II (49.0% Market Rate) ⁽²⁾ | 535 | 25,265 | 12,380 | 12/10/2005 |
| Courtney Chase (24.0% Market Rate) ^{(3) (4)} | <u>288</u> | <u>15,619</u> | <u>3,755</u> | 6/1/2005 |
| Total joint venture debt | <u>1,239</u> | <u>\$ 61,336</u> | <u>\$ 26,194</u> | |

(1) The Company defines FFO as the inclusion of all operating results, both recurring and non-recurring, except those results defined as "extraordinary items" under GAAP, adjusted for depreciation on real estate assets and amortization of intangible assets and gains and losses from the disposition of properties and land. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs and should not be considered an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a measure of liquidity. The Company generally considers FFO to be a useful measure for reviewing the comparative operating and financial performance of the Company because FFO can help one compare the operating performance of a company's real estate between periods or as compared to different REITs. It should be noted, however, that certain other real estate companies may define FFO in a different manner.

(2) The Company has guaranteed the payment of 50.0% of the loan balance or approximately \$12.6 million.

(3) The Company has guaranteed the payment of 50.0% of the loan balance or approximately \$7.8 million.

(4) On July 16, 2004, the Company acquired its joint venture partner's 76.0% interest in the Courtney Chase.