

Associated Estates Realty Corporation

Second Quarter 2005

Earnings Release and Supplemental Financial Data



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Morgan Place features one-and two-bedroom apartments, located in Northern Atlanta. Amenities include vaulted ceilings, fireplaces, car wash with vacuum, exercise room, washer/dryer in each apartment home, pool with spa, 24-hour monitored alarms, and more.

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"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: This news release contains 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, including but not limited to, expectations regarding the Company's full year 2005 performance, which are based on certain assumptions. 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. 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 or millage rate increases; inability of the Company to achieve anticipated reductions in operating expenses and increases in revenues; changes in tax legislation; the results of litigation filed or to be filed against the Company; risks related to the Company's joint ventures; risks of personal injury claims and property damage related to mold claims because of diminished insurance coverage; risks associated with property acquisitions such as environmental liabilities, among others; changes in market conditions that may limit or prevent the Company from acquiring or selling properties; and risks related to the perception of residents and prospective residents as to the attractiveness, convenience and safety of the Company's properties or the neighborhoods in which they are located.

Associated Estates Realty Corporation
Second Quarter 2005
Supplemental Financial Data

| Table of Contents | Page |
|--|-------------|
| Earnings Release | 1 |
| Financial and Operating Highlights | 4 |
| Condensed Consolidated Balance Sheets | 7 |
| Consolidated Statements of Operations | 8 |
| Reconciliation of Funds from Operations (FFO) and Funds Available for Distribution (FAD) | 9 |
| Overview of Operating Expenses Related to Repairs and Maintenance and Capitalized Expenditures | 10 |
| Segment Information | 11 |
| "Same Store" Market-Rate Data | 13 |
| Property Net Operating Income (Property NOI) | 16 |
| Debt Structure | 17 |
| Joint Venture Summary Data | 18 |
| Definitions of Non-GAAP Financial Measures | 19 |

**ASSOCIATED ESTATES REALTY CORPORATION REPORTS SECOND QUARTER RESULTS,
ANNOUNCES STOCK BUYBACK AUTHORIZATION AND REVISED EARNINGS FORECAST**

Cleveland, Ohio - July 28, 2005 - Associated Estates Realty Corporation (NYSE: AEC) today reported a net loss of \$432,000, or \$0.02 per common share (basic and diluted), for the second quarter ended June 30, 2005 compared with net income of \$7,181,000, or \$0.37 per common share (basic and diluted), for the second quarter ended June 30, 2004. The results include gains from property sales of approximately \$0.21 per share in the second quarter of 2005 and \$0.50 per share in the second quarter of 2004.

Funds from operations (FFO) for the quarter were \$0.22 per common share (basic and diluted) compared with \$0.29 per common share (basic and diluted) for the second quarter ended June 30, 2004. A reconciliation of net income to FFO is included on page 9.

The decrease in FFO per share compared with the second quarter of 2004 is primarily the result of the following:

- An anticipated decline in the net contribution from the Company's painting subsidiary of \$745,000, or \$0.04 per share. Painting operations in 2005 have returned to a more normalized level as a result of certain contracts that were completed in 2004.
- The impact of the elimination of a 10 percent property tax rollback for certain businesses in the state of Ohio, in accordance with changes in the state's tax code that went into effect July 1, 2005. The Company recorded \$456,000, or approximately \$0.02 per share, in the second quarter related to this additional expense for the first half of 2005.

Total revenues for the quarter were \$39,219,000 compared with \$38,983,000 for the second quarter of 2004. The increase in revenue reflects an increase of approximately \$2.0 million in revenue from new acquisitions and approximately \$650,000 in revenue from ancillary income associated with water and sewer and trash reimbursements. These increases were offset by a decrease, as projected, of approximately \$2.3 million in revenue from the Company's painting subsidiary related to services provided in 2004 in connection with the renovation of several managed affordable housing communities.

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 11 through 16.

Same Store (Market-Rate) Portfolio

Revenues for the quarter from the Company's same store (market-rate) portfolio were up 2.5 percent, and total property operating expenses for the same store (market-rate) portfolio increased 5.6 percent, resulting in a 0.2 percent decrease in net operating income (NOI) compared with the second quarter of 2004. Excluding the impact of the property tax rollback expense, noted above, NOI would have increased 2.3 percent compared with the second quarter of 2004.

For the second quarter, the average rent per unit for the same store (market-rate) properties increased 5.0 percent to \$826 per month, while the average net collected rent increased 2.7 percent to \$689 per month compared with the second quarter of 2004. Physical occupancy was 94.7 percent at the end of the quarter compared with 92.6 percent at the end of the second quarter of 2004.

Associated Estates Realty Corporation
Second Quarter Earnings

Year to Date Performance

For the six months ended June 30, 2005, the Company had a net loss of \$7,275,000 or \$0.37 per common share (basic and diluted) compared with net income of \$4,745,000 or \$0.24 per common share (basic and diluted) for the six months ended June 30, 2004. The following activities represent the significant variances in net income per share between the first half of 2005 and the first half of 2004:

- Gain on sales of properties - \$(0.29) per share;
- Preferred redemption costs associated with Class A Share redemption in January 2005 - \$(0.11) per share;
- Contribution from the Company's painting subsidiary - \$(0.06) per share;
- Interest expense increases associated with the trust preferred offering in 2005 and new property acquisitions - \$(0.07) per share; and
- Depreciation and amortization primarily associated with new property acquisitions - \$(0.07) per share.

Funds from operations (FFO) for the first six months of 2005 were \$0.32 per common share (basic and diluted) compared with \$0.58 per common share (basic and diluted) for the six months ended June 30, 2004. The results for the six months of 2005 include non-cash redemption costs of approximately \$0.11 per share associated with the redemption of the Company's Class A Shares in January 2005. Excluding the redemption charges, FFO for the first six months of 2005 would have been \$0.43 per common share in 2005 compared to \$0.58 per common share in 2004. A reconciliation of net income to FFO is included on page 9.

Total revenues for the first six months of 2005 were \$76,080,000 compared with \$77,448,000 for the first half of 2004. The decline in revenue reflects an increase of approximately \$2.9 million in revenue from new acquisitions and approximately \$900,000 in revenue from ancillary income associated with water and sewer and trash reimbursements. These increases were offset by a decrease, as projected, of approximately \$4.1 million in revenue from the Company's painting subsidiary related to services provided in 2004 in connection with the renovation of several managed affordable housing communities, and the anticipated decline in third party management fees of approximately \$1.0 million.

Dispositions

In June 2005, the Company completed the sale of 20th & Campbell, a 204-unit apartment community located in Phoenix, Arizona as part of a strategic plan to reduce the number of geographic regions in which the Company operates.

Strategic Plan Including Stock Repurchase

The Company also announced that it has broadened its strategic plan to include the repurchase of up to \$50 million of the Company's common stock with proceeds from the sales of properties. The Company said it may also use the sales proceeds to pay down debt, and that it planned to continue to acquire and develop properties with sales proceeds when the expected returns support these activities.

"This is an extraordinary time for selling properties in certain markets," said Jeffrey I. Friedman, President and CEO. "We believe, at this time, that buying back our stock, combined with paying down debt, represent some of the best uses of our sales proceeds."

In order to benefit from the current conditions, the Company said it may sell properties even in those markets where it otherwise intends to grow over the long-term, including Florida, Atlanta and metro D.C.

Associated Estates Realty Corporation
Second Quarter Earnings

Outlook

The Company said it has revised its FFO per share expectations for the year excluding the non-cash redemption costs, from approximately \$1.05 per share to a range of \$0.92 to \$0.97 per share, before the impact of any share repurchases. These expectations reflect:

- An annualized increase in real estate tax expense for its Ohio portfolio of approximately \$900,000 (\$0.05 per share) as a result of the elimination of the 10 percent property tax rollback;
- The sale of more properties than originally projected; and
- Less than expected growth in the Company's Midwest portfolio.

Quarterly Earnings Conference Calls

The Company also said that, beginning with its third quarter 2005 earnings announcement, it will resume quarterly conference calls.

"Considering the anticipated increase in our activities related to buying and selling properties and share repurchases, we think it is important to provide another forum for discussions with investors, analysts and other interested parties," said Friedman.

The Company will release third quarter results on or about October 27. The Company said it will provide details regarding a quarterly conference call, in a press release in early October.

Associated Estates Realty Corporation
Financial and Operating Highlights
For the Three Months and Six Months Ended June 30, 2005 and 2004
(Unaudited; in thousands, except per share and ratio data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-------------|------------------------------|-------------|
| OPERATING INFORMATION | 2005 | 2004 | 2005 | 2004 |
| Total revenue | \$ 39,219 | \$ 38,983 | \$ 76,080 | \$ 77,448 |
| Property revenue | \$ 36,228 | \$ 33,563 | \$ 70,397 | \$ 66,675 |
| Net (loss) income applicable to common shareholders | \$ (432) | \$ 7,181 | \$ (7,275) | \$ 4,745 |
| Per share: | | | | |
| Basic | \$ (.02) | \$ 0.37 | \$ (0.37) | \$ 0.24 |
| Diluted | \$ (.02) | \$ 0.37 | \$ (0.37) | \$ 0.24 |
| Funds from Operations (FFO) ⁽¹⁾ | \$ 4,401 | \$ 5,670 | \$ 6,177 | \$ 11,338 |
| FFO excluding preferred redemption costs ⁽²⁾ | \$ 4,401 | \$ 5,670 | \$ 8,340 | \$ 11,338 |
| FFO per share - basic and diluted | \$ 0.22 | \$ 0.29 | \$ 0.32 | \$ 0.58 |
| FFO per share excluding preferred redemption costs - basic and diluted | \$ 0.22 | \$ 0.29 | \$ 0.43 | \$ 0.58 |
| Funds Available for Distribution (FAD) ⁽¹⁾ | \$ 3,447 | \$ 4,566 | \$ 7,167 | \$ 9,811 |
| Dividends per share | \$ 0.17 | \$ 0.17 | \$ 0.34 | \$ 0.34 |
| Payout ratio - FFO | 77.3% | 58.6% | 106.3% | 58.6% |
| Payout ratio - FFO excluding preferred redemption costs | 77.3% | 58.6% | 79.1% | 58.6% |
| Payout ratio - FAD | 94.4% | 73.9% | 91.9% | 66.7% |
| Common dividends - paid | \$ 3,351 | \$ 3,337 | \$ 6,694 | \$ 6,651 |
| Preferred dividends - paid | \$ 1,262 | \$ 1,371 | \$ 2,607 | \$ 2,742 |
| Service companies expense | \$ 1,067 | \$ 929 | \$ 1,976 | \$ 1,902 |
| General and administrative expense | \$ 2,091 | \$ 1,879 | \$ 4,141 | \$ 3,714 |
| Interest expense ⁽³⁾ | \$ 10,374 | \$ 9,382 | \$ 20,041 | \$ 18,816 |
| Interest coverage ratio ⁽⁴⁾ | 1.54:1 | 1.73:1 | 1.55:1 | 1.73:1 |
| Fixed charge coverage ratio ⁽⁵⁾ | 1.39:1 | 1.53:1 | 1.38:1 | 1.53:1 |
| General and administrative expense to property revenue | 5.8% | 5.6% | 5.9% | 5.6% |
| Interest expense to property revenue | 28.6% | 28.0% | 28.3% | 28.2% |
| NOI ⁽⁶⁾ | \$ 18,453 | \$ 18,407 | \$ 35,549 | \$ 36,632 |
| Property NOI ⁽⁶⁾ | \$ 18,759 | \$ 17,710 | \$ 36,016 | \$ 35,272 |
| ROA ⁽⁷⁾ | 7.6% | 7.6% | 7.6% | 7.6% |
| Same store market-rate revenue increase | 2.5% | 0.9% | 1.2% | 1.6% |
| Same store market-rate expense increase (decrease) | 5.6% | (9.7)% | 5.7% | (9.3)% |
| Same store market-rate NOI (decrease) increase | (0.2)% | 12.9% | (2.8)% | 13.7% |
| Same store market-rate operating margins | 51.0% | 52.5% | 50.8% | 52.9% |

(1) See page 9 for a reconciliation of net (loss) income to these non-GAAP measurements and page 19 for the Company's definition of these non-GAAP measurements.

(2) See page 19 for the Company's definition of this non-GAAP measurement.

(3) Excludes amortization of financing fees of \$352 and \$624 for the three and six months 2005 and \$269 and \$537 for the three and six months 2004, respectively.

(4) Is calculated as EBITDA divided by interest expense, including capitalized interest and amortization of deferred financing costs, and excluding preferred redemption cost write-off. See page 20 for a reconciliation of net (loss) income to EBITDA and for the Company's definition of EBITDA.

(5) Represents interest expense and preferred stock dividend payment coverage, excluding preferred redemption cost write-off.

(6) See pages 11 and 12 for a reconciliation of net (loss) income to the non-GAAP measurements and page 20 for the Company's definition of these non-GAAP measurements.

(7) 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 2005

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

| | June 30, | December 31, |
|---|-------------|--------------|
| MARKET CAPITALIZATION DATA | 2005 | 2004 |
| Net real estate investments | \$ 680,153 | \$ 665,268 |
| Total assets | \$ 722,822 | \$ 763,432 |
| Total debt | \$ 586,337 | \$ 557,279 |
| Minority interest | \$ 2,172 | \$ 2,172 |
| Preferred stock -9.75% Class A Cumulative Redeemable Preferred Shares | \$ - | \$ 56,250 |
| -8.70% Class B Cumulative Redeemable Preferred Shares | \$ 58,000 | \$ 58,000 |
| Total shareholders' equity | \$ 96,059 | \$ 163,590 |
| Common shares outstanding | 19,724 | 19,653 |
| Share price, end of period | \$ 9.23 | \$ 10.22 |
| Total market capitalization ⁽¹⁾ | \$ 849,060 | \$ 894,852 |
| Undepreciated book value of real estate ⁽²⁾ | \$ 986,247 | \$ 958,450 |
| Total debt to undepreciated book value of real estate | 59.5% | 58.1% |
| Annual dividend | \$ 0.68 | \$ 0.68 |
| Annual dividend yield based on share price, end of period | 7.4% | 6.7% |

(1) Includes the Company's share of unconsolidated debt of \$22,670 and \$22,469 as of June 30, 2005 and December 31, 2004, respectively.

(2) Includes \$23,371 of undepreciated real estate associated with a property classified as held for sale at June 30, 2005.

Associated Estates Realty Corporation
Financial and Operating Highlights
Second Quarter 2005

| PORTFOLIO INFORMATION | | |
|------------------------------|-------------------|---------------|
| | | No. of |
| Company Portfolio: | <u>Properties</u> | <u>Units</u> |
| Directly owned: | | |
| Affordable Housing | 12 | 1,246 |
| "Same Store" Market-Rate | 58 | 14,886 |
| Acquisition/Disposition | <u>3</u> | <u>883</u> |
| Total directly owned | 73 | 17,015 |
| Joint ventures | 3 | 951 |
| Third party managed: | | |
| Affordable Housing | 32 | 5,274 |
| Market-Rate | <u>5</u> | <u>963</u> |
| Total Company Portfolio | <u>113</u> | <u>24,203</u> |

Associated Estates Realty Corporation
Condensed Consolidated Balance Sheets
Second Quarter 2005
(Unaudited; dollar amounts in thousands)

| | June 30, 2005 | December 31, 2004 |
|--|-------------------|----------------------|
| ASSETS | | |
| Real estate assets | | |
| Investment in real estate | \$ 961,770 | \$ 956,620 |
| Construction in progress | 1,106 | 1,830 |
| Less: accumulated depreciation | (293,136) | (293,182) |
| | 669,740 | 665,268 |
| Real estate associated with property held for sale, net | 10,413 | - |
| | | |
| Real estate, net | 680,153 | 665,268 |
| Cash and cash equivalents | 2,272 | 59,734 |
| Restricted cash | 16,140 | 10,740 |
| Other assets | 24,257 | 27,690 |
| Total assets | \$ 722,822 | \$ 763,432 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Mortgage notes payable | \$ 541,457 | \$ 547,279 |
| Mortgage notes payable associated with property held for sale | 16,100 | - |
| Lines of credit borrowings | 3,000 | 10,000 |
| Unsecured borrowings | 25,780 | - |
| Total debt | 586,337 | 557,279 |
| Accounts payable and accrued expenses | 38,254 | 40,391 |
| Total liabilities | 624,591 | 597,670 |
| | | |
| Operating partnership minority interest | 2,172 | 2,172 |
| | | |
| Shareholders' equity | | |
| Preferred shares, without par value; 9,000,000 shares authorized; 9.75% Class A cumulative redeemable, \$250 per share liquidation preference, 225,000 issued and outstanding at December 31, 2004 | - | 56,250 |
| 8.70% Class B Series II cumulative redeemable, \$250 per share liquidation preference, 232,000 issued and outstanding | 58,000 | 58,000 |
| Common shares, without par value, \$.10 stated value; 41,000,000 authorized; 22,995,763 issued and 19,723,842 and 19,653,187 outstanding at June 30, 2005 and December 31, 2004, respectively | 2,300 | 2,300 |
| Paid-in capital | 279,025 | 277,117 |
| Accumulated distributions in excess of accumulated net income | (214,258) | (200,277) |
| Less: Treasury shares, at cost, 3,271,921 and 3,342,576 shares at June 30, 2005 and December 31, 2004, respectively | (29,008) | (29,800) |
| Total shareholders' equity | 96,059 | 163,590 |
| Total liabilities and shareholders' equity | \$ 722,822 | \$ 763,432 |

Associated Estates Realty Corporation
Consolidated Statements of Operations
Three Months and Six Months Ended June 30, 2005 and 2004
(Unaudited; dollar and share amounts in thousands)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-----------------|-------------------|-----------------|
| | June 30, | | June 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| REVENUE | | | | |
| Rental income | \$ 34,462 | \$ 32,450 | \$ 67,279 | \$ 64,525 |
| Fee income and reimbursements | 2,894 | 2,975 | 5,490 | 6,454 |
| Painting services | 97 | 2,445 | 193 | 4,319 |
| Other income | 1,766 | 1,113 | 3,118 | 2,150 |
| Total revenue | 39,219 | 38,983 | 76,080 | 77,448 |
| EXPENSES | | | | |
| Property operating and maintenance | 17,480 | 15,815 | 34,395 | 31,362 |
| Depreciation and amortization | 8,920 | 8,038 | 17,408 | 15,948 |
| Direct property management and service companies expenses | 3,178 | 3,030 | 6,021 | 6,323 |
| Painting services and charges | 181 | 1,784 | 301 | 3,226 |
| General and administrative | 2,091 | 1,879 | 4,141 | 3,714 |
| Total expenses | 31,850 | 30,546 | 62,266 | 60,573 |
| Operating income | 7,369 | 8,437 | 13,814 | 16,875 |
| Interest income | 73 | 53 | 186 | 95 |
| Interest expense | (10,726) | (9,651) | (20,665) | (19,353) |
| (Loss) income before equity in net loss of joint ventures, minority interest and income from discontinued operations | (3,284) | (1,161) | (6,665) | (2,383) |
| Equity in net loss of joint ventures | (235) | (168) | (500) | (426) |
| Minority interest in operating partnership | (16) | (16) | (32) | (32) |
| (Loss) income from continuing operations | (3,535) | (1,345) | (7,197) | (2,841) |
| Income from discontinued operations: | | | | |
| Operating income | 333 | 215 | 660 | 646 |
| Gain on disposition of properties, net | 4,032 | 9,682 | 4,032 | 9,682 |
| Income from discontinued operations | 4,365 | 9,897 | 4,692 | 10,328 |
| Net income (loss) | 830 | 8,552 | (2,505) | 7,487 |
| Preferred share dividends | (1,262) | (1,371) | (2,607) | (2,742) |
| Original cost associated with redemption of preferred shares | - | - | (2,163) | - |
| Net (loss) income applicable to common shares | <u>\$ (432)</u> | <u>\$ 7,181</u> | <u>\$ (7,275)</u> | <u>\$ 4,745</u> |
| Earnings per common share - basic: | | | | |
| (Loss) income from continuing operations applicable to common shares | \$ (0.24) | \$ (0.14) | \$ (0.61) | \$ (0.29) |
| Income from discontinued operations | 0.22 | 0.51 | 0.24 | 0.53 |
| Net (loss) income applicable to common shares | <u>\$ (0.02)</u> | <u>\$ 0.37</u> | <u>\$ (0.37)</u> | <u>\$ 0.24</u> |
| Earnings per common share - diluted: | | | | |
| (Loss) income from continuing operations applicable to common shares | \$ (0.24) | \$ (0.14) | \$ (0.61) | \$ (0.29) |
| Income from discontinued operations | 0.22 | 0.51 | 0.24 | 0.53 |
| Net (loss) income applicable to common shares | <u>\$ (0.02)</u> | <u>\$ 0.37</u> | <u>\$ (0.37)</u> | <u>\$ 0.24</u> |
| Weighted average shares outstanding - basic | 19,598 | 19,538 | 19,585 | 19,404 |
| Weighted average shares outstanding - diluted | 19,598 | 19,538 | 19,585 | 19,404 |

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

| | Three Months | | Six Months | |
|--|-----------------|-----------------|-----------------|-----------------|
| | Ended June 30, | | Ended June 30, | |
| CALCULATION OF FFO AND FAD | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Net (loss) income applicable to common shares | \$ (432) | \$ 7,181 | \$ (7,275) | \$ 4,745 |
| Add: Depreciation - real estate assets | 8,188 | 7,838 | 16,314 | 15,558 |
| Depreciation - real estate assets - joint ventures | 239 | 285 | 480 | 571 |
| Amortization of joint venture deferred costs | 9 | (30) | 17 | (9) |
| Amortization of intangible assets | 429 | 78 | 673 | 155 |
| Less: Gain on disposition of properties | (4,032) | (9,682) | (4,032) | (9,682) |
| Funds From Operations (FFO) ⁽¹⁾ | <u>4,401</u> | <u>5,670</u> | <u>6,177</u> | <u>11,338</u> |
| Add: Original costs associated with redemption of preferred shares | - | - | 2,163 | - |
| Funds From Operations (FFO) excluding preferred redemption costs ⁽¹⁾ | <u>4,401</u> | <u>5,670</u> | <u>8,340</u> | <u>11,338</u> |
| Add: Depreciation - other assets | 406 | 434 | 832 | 868 |
| Depreciation - other assets - joint ventures | 44 | 50 | 94 | 100 |
| Amortization of deferred financing fees | 352 | 269 | 624 | 537 |
| Amortization of deferred financing fees - joint ventures | 16 | 10 | 23 | 20 |
| Less: Fixed asset additions ⁽²⁾ | (1,756) | (1,849) | (2,717) | (3,034) |
| Fixed asset additions - joint ventures ⁽²⁾ | (16) | (18) | (29) | (18) |
| Funds Available for Distribution (FAD) ⁽¹⁾ | <u>\$ 3,447</u> | <u>\$ 4,566</u> | <u>\$ 7,167</u> | <u>\$ 9,811</u> |
| Weighted average shares outstanding - basic | <u>19,598</u> | <u>19,538</u> | <u>19,585</u> | <u>19,404</u> |
| Weighted average shares outstanding - diluted | <u>19,598</u> | <u>19,538</u> | <u>19,585</u> | <u>19,404</u> |
| PER SHARE INFORMATION: | | | | |
| FFO - basic and diluted | \$ 0.22 | \$ 0.29 | \$ 0.32 | \$ 0.58 |
| FFO excluding preferred redemption costs - basic and diluted | \$ 0.22 | \$ 0.29 | \$ 0.43 | \$ 0.58 |
| Dividends | \$ 0.17 | \$ 0.17 | \$ 0.34 | \$ 0.34 |
| Payout ratio - FFO | 77.3% | 58.6% | 106.3% | 58.6% |
| Payout ratio - FFO excluding preferred redemption costs | 77.3% | 58.6% | 79.1% | 58.6% |
| Payout ratio - FAD | 94.4% | 73.9% | 91.9% | 66.7% |

(1) See page 19 for the Company's definition of these non-GAAP measurements.

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

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, 2005 | |
|--|--|-----------------------------------|---------------------------------|
| | Estimated GAAP Useful Life (Years) | Amount | Cost Per Unit ⁽¹⁾ |
| OPERATING EXPENSES RELATED TO REPAIRS AND MAINTENANCE | | | |
| Repairs and maintenance ⁽²⁾ | | \$ 6,590 | \$ 387 |
| Maintenance personnel labor cost ⁽²⁾ | | 3,646 | 214 |
| Total Operating Expenses Related to Repairs and Maintenance | | 10,236 | 601 |
| CAPITAL EXPENDITURES | | | |
| Recurring Capital Expenditures ⁽³⁾ | | | |
| Amenities | 5 | 122 | 7 |
| Appliances | 5 | 406 | 24 |
| Building improvements ⁽⁴⁾ | 14 | 348 | 20 |
| Carpet and flooring | 5 | 1,225 | 72 |
| HVAC and mechanicals | 15 | 259 | 15 |
| Landscaping and grounds | 14 | 110 | 6 |
| Office/model | 5 | 33 | 2 |
| Suite improvements | 5 | 92 | 5 |
| Miscellaneous | 5 | 25 | 1 |
| Total Recurring Capital Expenditures - Properties | | 2,620 | 152 |
| Corporate capital expenditures ⁽⁵⁾⁽⁶⁾ | | 97 | 6 |
| Total Recurring Capital Expenditures | | 2,717 | 158 |
| Total Recurring Capital Expenditures and Repairs and Maintenance | | \$ 12,953 | \$ 759 |
| Total Recurring Capital Expenditures | | \$ 2,717 | |
| Investment/Revenue Enhancing Expenditures ⁽⁷⁾ : | | | |
| Siding/Painting ⁽⁸⁾ | 10 | 5 | |
| Retail space buildout ⁽⁸⁾ | 5 | 2 | |
| Water sub-meters ⁽⁸⁾ | 14 | 3 | |
| Capital expenditures associated with common area upgrades ⁽⁹⁾ | various | 289 | |
| Total Investment/Revenue Enhancing Expenditures | | 299 | |
| Grand Total Capital Expenditures | | \$ 3,016 | |

(1) Calculated using 17,015 units, including 1,246 affordable housing units, 883 acquisition/disposition properties and 14,886 same store market-rate units.

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

(3) See page 21 for the Company's definition of recurring fixed asset additions.

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

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

(6) Includes \$25 of capital lease payments.

(7) See page 21 for the Company's definition of investment/revenue enhancing additions.

(8) Related to single market-rate asset.

(9) Related to two market-rate assets.

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

| | Three Months Ended June 30, 2005 | | | | |
|---|----------------------------------|---------------------------|-----------------------|---|-----------|
| | Acquisitions/ Dispositions | Same Store Market-Rate | Affordable Housing | Management and Service Operations | Total |
| Revenue | \$ 1,891 | \$ 31,842 | \$ 2,490 | \$ 2,996 | \$ 39,219 |
| Interest income | 1 | 11 | 5 | 56 | 73 |
| Expenses | 673 | 15,590 | 1,218 | 3,358 | 20,839 |
| NOI ⁽¹⁾ | 1,219 | 16,263 | 1,277 | (306) | 18,453 |
| Depreciation and amortization | 1,016 | 7,390 | 319 | 195 | 8,920 |
| General and administrative | 108 | 1,830 | 153 | - | 2,091 |
| Interest expense | 414 | 9,733 | 3 | 576 | 10,726 |
| | 1,538 | 18,953 | 475 | 771 | 21,737 |
| (Loss) income before equity in loss of joint ventures, minority interest and income from discontinued operations | (319) | (2,690) | 802 | (1,077) | (3,284) |
| Equity in net loss of joint ventures | - | (196) | (39) | - | (235) |
| Minority interest in operating partnership | - | - | - | (16) | (16) |
| (Loss) income before income from discontinued operations | (319) | (2,886) | 763 | (1,093) | (3,535) |
| Income from discontinued operations: | | | | | |
| Operating income | 333 | - | - | - | 333 |
| Gain on disposition of properties | 4,032 | - | - | - | 4,032 |
| Net income (loss) | 4,046 | (2,886) | 763 | (1,093) | 830 |
| Preferred share dividends | (109) | (1,042) | (80) | (31) | (1,262) |
| Net income (loss) applicable to common shares | \$ 3,937 | \$ (3,928) | \$ 683 | \$ (1,124) | \$ (432) |
| Weighted average shares outstanding - basic | | | | | 19,598 |
| Weighted average shares outstanding - diluted | | | | | 19,598 |
| FFO per share - basic and diluted ⁽²⁾ | \$ 0.05 | \$ 0.18 | \$ 0.05 | \$ (0.06) | \$ 0.22 |

| | Three Months Ended June 30, 2004 | | | | |
|---|----------------------------------|---------------------------|-----------------------|---|-----------|
| | Acquisitions/ Dispositions | Same Store Market-Rate | Affordable Housing | Management and Service Operations | Total |
| Revenue | \$ - | \$ 31,069 | \$ 2,453 | \$ 5,461 | \$ 38,983 |
| Interest income | - | 1 | 2 | 50 | 53 |
| Expenses | - | 14,769 | 1,046 | 4,814 | 20,629 |
| NOI ⁽¹⁾ | - | 16,301 | 1,409 | 697 | 18,407 |
| Depreciation and amortization | - | 7,445 | 318 | 275 | 8,038 |
| General and administrative | 97 | 1,644 | 138 | - | 1,879 |
| Interest expense | - | 9,606 | 1 | 44 | 9,651 |
| | 97 | 18,695 | 457 | 319 | 19,568 |
| (Loss) income before equity in net income (loss) of joint ventures, minority interest and income from discontinued operations | (97) | (2,394) | 952 | 378 | (1,161) |
| Equity in net income (loss) of joint ventures | 60 | (185) | (43) | - | (168) |
| Minority interest in operating partnership | - | - | - | (16) | (16) |
| (Loss) income before income from discontinued operations | (37) | (2,579) | 909 | 362 | (1,345) |
| Income from discontinued operations: | | | | | |
| Operating income | 215 | - | - | - | 215 |
| Gain on disposition of properties | 9,682 | - | - | - | 9,682 |
| Net income (loss) | 9,860 | (2,579) | 909 | 362 | 8,552 |
| Preferred share dividends | (62) | (1,102) | (87) | (120) | (1,371) |
| Net income (loss) applicable to common shares | \$ 9,798 | \$ (3,681) | \$ 822 | \$ 242 | \$ 7,181 |
| Weighted average shares outstanding - basic | | | | | 19,538 |
| Weighted average shares outstanding - diluted | | | | | 19,538 |
| FFO per share - basic and diluted ⁽²⁾ | \$ 0.03 | \$ 0.19 | \$ 0.05 | \$ 0.02 | \$ 0.29 |

(1) See page 20 for the Company's definition of this non-GAAP measurement.

(2) See page 19 for the Company's definition of this non-GAAP measurement.

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

| | Six Months Ended June 30, 2005 | | | | |
|---|--------------------------------|---------------------------|-----------------------|---|------------|
| | Acquisitions/ Dispositions | Same Store Market-Rate | Affordable Housing | Management and Service Operations | Total |
| Revenue | \$ 2,927 | \$ 62,499 | \$ 4,965 | \$ 5,689 | \$ 76,080 |
| Interest income | 2 | 10 | 8 | 166 | 186 |
| Expenses | 1,076 | 30,758 | 2,561 | 6,322 | 40,717 |
| NOI ⁽¹⁾ | 1,853 | 31,751 | 2,412 | (467) | 35,549 |
| Depreciation and amortization | 1,571 | 14,791 | 650 | 396 | 17,408 |
| General and administrative | 215 | 3,623 | 303 | - | 4,141 |
| Interest expense | 620 | 19,317 | 2 | 726 | 20,665 |
| | 2,406 | 37,731 | 955 | 1,122 | 42,214 |
| (Loss) income before equity in loss of joint ventures, minority interest and income from discontinued operations | (553) | (5,980) | 1,457 | (1,589) | (6,665) |
| Equity in net loss of joint ventures | (1) | (439) | (60) | - | (500) |
| Minority interest in operating partnership | - | - | - | (32) | (32) |
| (Loss) Income before income from discontinued operations | (554) | (6,419) | 1,397 | (1,621) | (7,197) |
| Income from discontinued operations: | | | | | |
| Operating income | 660 | - | - | - | 660 |
| Gain on disposition of properties | 4,032 | - | - | - | 4,032 |
| Net income (loss) | 4,138 | (6,419) | 1,397 | (1,621) | (2,505) |
| Preferred share dividends | (198) | (2,172) | (176) | (61) | (2,607) |
| Original cost associated with redemption of preferred shares | - | - | - | (2,163) | (2,163) |
| Net income (loss) applicable to common shares | \$ 3,940 | \$ (8,591) | \$ 1,221 | \$ (3,845) | \$ (7,275) |
| Weighted average shares outstanding - basic | | | | | 19,585 |
| Weighted average shares outstanding - diluted | | | | | 19,585 |
| FFO per share - basic and diluted ⁽²⁾ | \$ 0.10 | \$ 0.31 | \$ 0.10 | \$ (0.19) | \$ 0.32 |
| FFO per share excluding preferred redemption costs- basic and diluted ⁽²⁾ | \$ 0.10 | \$ 0.31 | \$ 0.10 | \$ (0.08) | \$ 0.43 |

| | Six Months Ended June 30, 2004 | | | | |
|---|--------------------------------|---------------------------|-----------------------|---|-----------|
| | Acquisitions/ Dispositions | Same Store Market-Rate | Affordable Housing | Management and Service Operations | Total |
| Revenue | \$ - | \$ 61,764 | \$ 4,865 | \$ 10,819 | \$ 77,448 |
| Interest income | - | 2 | 3 | 90 | 95 |
| Expenses | - | 29,100 | 2,262 | 9,549 | 40,911 |
| NOI ⁽¹⁾ | - | 32,666 | 2,606 | 1,360 | 36,632 |
| Depreciation and amortization | - | 14,778 | 634 | 536 | 15,948 |
| General and administrative | 193 | 3,249 | 272 | - | 3,714 |
| Interest expense | (1) | 19,270 | 3 | 81 | 19,353 |
| | 192 | 37,297 | 909 | 617 | 39,015 |
| (Loss) income before equity in net income (loss) of joint ventures, minority interest and income from discontinued operations | (192) | (4,631) | 1,697 | 743 | (2,383) |
| Equity in net income (loss) of joint ventures | 67 | (413) | (80) | - | (426) |
| Minority interest in operating partnership | - | - | - | (32) | (32) |
| (Loss) income before income from discontinued operations | (125) | (5,044) | 1,617 | 711 | (2,841) |
| Income from discontinued operations: | | | | | |
| Operating income | 646 | - | - | - | 646 |
| Gain on disposition of properties | 9,682 | - | - | - | 9,682 |
| Net income (loss) | 10,203 | (5,044) | 1,617 | 711 | 7,487 |
| Preferred share dividends | (131) | (2,204) | (174) | (233) | (2,742) |
| Net income (loss) applicable to common shares | \$ 10,072 | \$ (7,248) | \$ 1,443 | \$ 478 | \$ 4,745 |
| Weighted average shares outstanding - basic | | | | | 19,404 |
| Weighted average shares outstanding - diluted | | | | | 19,404 |
| FFO per share - basic and diluted ⁽²⁾ | \$ 0.06 | \$ 0.37 | \$ 0.11 | \$ 0.04 | \$ 0.58 |

(1) See page 20 for the Company's definition of this non-GAAP measurement.

(2) See page 19 for the Company's definition of these non-GAAP measurements.

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, 2005 | March 31, 2005 | December 31, 2004 | September 30, 2004 | June 30, 2004 |
| Revenue | | | | | |
| Rental | \$ 30,258 | \$ 29,431 | \$ 29,755 | \$ 30,185 | \$ 30,089 |
| Other income | 1,595 | 1,225 | 1,227 | 1,081 | 981 |
| Total Revenue | 31,853 | 30,656 | 30,982 | 31,266 | 31,070 |
| Property Operating and Maintenance Expenses | | | | | |
| Personnel | 4,052 | 4,056 | 3,868 | 3,855 | 3,867 |
| Advertising | 483 | 441 | 483 | 455 | 439 |
| Utilities | 1,977 | 2,485 | 2,063 | 1,933 | 1,787 |
| Repairs and maintenance | 3,213 | 2,651 | 2,886 | 3,491 | 3,129 |
| Real estate taxes and insurance | 4,487 | 4,286 | 3,892 | 4,222 | 4,143 |
| Other operating | 1,378 | 1,249 | 1,358 | 1,419 | 1,404 |
| Total Expenses | 15,590 | 15,168 | 14,550 | 15,375 | 14,769 |
| Net Operating Income | \$ 16,263 | \$ 15,488 | \$ 16,432 | \$ 15,891 | \$ 16,301 |
| Operating Margin | 51.0% | 50.5% | 53.0% | 50.8% | 52.5% |
| Total Number of Units | 14,886 | 14,886 | 14,886 | 14,886 | 14,886 |
| NOI Per Unit | \$ 1,093 | \$ 1,041 | \$ 1,104 | \$ 1,068 | \$ 1,095 |
| Average Net Collected Per Unit ⁽¹⁾ | \$ 689 | \$ 665 | \$ 672 | \$ 674 | \$ 671 |
| Physical Occupancy - End of Period ⁽²⁾ | 94.7% | 92.4% | 91.1% | 92.7% | 92.6% |
| Average Economic Occupancy ⁽³⁾ | 83.4% | 81.7% | 83.0% | 84.6% | 85.3% |

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

(2) Is defined as number of units occupied divided by total number of units.

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

Associated Estates Realty Corporation
"Same Store" Market-Rate Data
Operating Results for the Six Months Ended June 30, 2005 and 2004
(Unaudited, in thousands, except unit totals and per unit amounts)

| | Six Months Ended | |
|--|------------------|------------------|
| | June 30, | June 30, |
| | 2005 | 2004 |
| Revenue | | |
| Rental | \$ 59,689 | \$ 59,821 |
| Other income | 2,820 | 1,945 |
| Total Revenue | 62,509 | 61,766 |
| Property Operating and Maintenance Expenses | | |
| Personnel | 8,108 | 7,742 |
| Advertising | 924 | 850 |
| Utilities | 4,462 | 4,024 |
| Repairs and maintenance | 5,864 | 5,550 |
| Real estate taxes and insurance | 8,773 | 8,225 |
| Other operating | 2,627 | 2,709 |
| Total Expenses | 30,758 | 29,100 |
| Net Operating Income | \$ 31,751 | \$ 32,666 |
| Operating Margin | 50.8% | 52.9% |
| Total Number of Units | 14,886 | 14,886 |
| NOI Per Unit | \$ 2,133 | \$ 2,194 |
| Average Net Collected Per Unit ⁽¹⁾ | \$ 677 | \$ 668 |
| Physical Occupancy - End of Period ⁽²⁾ | 94.7% | 92.6% |
| Average Economic Occupancy ⁽³⁾ | 82.6% | 85.4% |

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

(2) Is defined as number of units occupied divided by total number of units.

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

Associated Estates Realty Corporation
"Same Store" Market-Rate Data
As of June 30, 2005 and June 30, 2004
(Unaudited, in thousands, except unit totals and per unit amounts)

| | | | Net Rent Collected per Unit ⁽¹⁾ | | | Average Rent per Unit ⁽²⁾ | | | Physical Occupancy ⁽³⁾ | | Turnover Ratio ⁽⁴⁾ | |
|---------------------------------------|---------------|----------------------------|--|---------------|-------------|--------------------------------------|---------------|-------------|-----------------------------------|--------------|-------------------------------|--------------|
| | | | Q2 | Q2 | % | Q2 | Q2 | % | Q2 | Q2 | Q2 | Q2 |
| | | | 2005 | 2004 | Change | 2005 | 2004 | Change | 2005 | 2004 | 2005 | 2004 |
| | No. of Units | Average Age ⁽⁵⁾ | | | | | | | | | | |
| Florida | 1,128 | 9 | \$ 998 | \$ 902 | 10.6% | \$ 1,153 | \$ 1,064 | 8.4% | 96.3% | 96.5% | 67.4% | 54.3% |
| Georgia | 706 | 18 | 609 | 613 | (0.7)% | 846 | 762 | 11.0% | 93.2% | 94.8% | 55.5% | 67.4% |
| Indiana | 836 | 10 | 719 | 685 | 5.0% | 864 | 820 | 5.4% | 96.1% | 95.1% | 81.3% | 80.9% |
| Metro D.C. | 667 | 19 | 1,079 | 1,002 | 7.7% | 1,148 | 1,109 | 3.5% | 96.6% | 95.5% | 51.6% | 54.0% |
| Michigan | 2,888 | 15 | 667 | 680 | (1.9)% | 811 | 775 | 4.6% | 96.4% | 94.4% | 60.7% | 74.8% |
| North Carolina | 276 | 11 | 601 | 578 | 4.0% | 835 | 820 | 1.8% | 93.1% | 91.7% | 68.1% | 62.3% |
| Ohio - Central Ohio | 3,135 | 13 | 644 | 630 | 2.2% | 734 | 711 | 3.2% | 95.3% | 92.4% | 59.5% | 68.0% |
| Ohio - Northeastern Ohio | 3,448 | 17 | 625 | 614 | 1.8% | 780 | 730 | 6.8% | 93.6% | 90.3% | 44.9% | 46.9% |
| Ohio - Northeastern - Congregate Care | 170 | 23 | 553 | 548 | 0.9% | 796 | 788 | 1.0% | 68.8% | 68.2% | 18.8% | 23.5% |
| Ohio - Toledo, Ohio | 1,060 | 24 | 614 | 586 | 4.8% | 704 | 696 | 1.1% | 94.5% | 90.9% | 89.8% | 70.6% |
| Pennsylvania | 468 | 19 | 604 | 596 | 1.3% | 745 | 745 | 0.0% | 92.5% | 91.7% | 61.5% | 65.8% |
| Texas | 104 | 12 | 850 | 878 | (3.2)% | 1,091 | 1,083 | 0.7% | 95.2% | 92.3% | 50.0% | 53.8% |
| Total/Average "Same Store" | | | | | | | | | | | | |
| Market-Rate | 14,886 | 16 | \$ 689 | \$ 671 | 2.7% | \$ 826 | \$ 787 | 5.0% | 94.7% | 92.6% | 59.5% | 62.9% |

(1) Represents gross potential rents less vacancies and allowances for all units divided by the number of units in a market.

(2) Represents gross potential rents for all units divided by the number of units in a market.

(3) Represents physical occupancy at the end of the quarter.

(4) Represents the number of units turned over for the period, divided by the number of units in a market, annualized.

(5) Age shown in years.

Associated Estates Realty Corporation
Property Net Operating Income (Property NOI)
For the Three and Six Months Ended June 30, 2005 and 2004

| | | Three Months Ended June 30, | | | |
|---|------------|-----------------------------|------------|------------------|------------|
| | No. of | | % of | | % of |
| Property NOI ⁽¹⁾ | Units | 2005 NOI | Total NOI | 2004 NOI | Total NOI |
| "Same Store" Market-Rate | | | | | |
| Florida | 1,128 | \$ 1,985 | 10.58% | \$ 1,503 | 8.49% |
| Georgia | 706 | 623 | 3.32% | 590 | 3.33% |
| Indiana | 836 | 874 | 4.66% | 937 | 5.29% |
| Metro D.C. | 667 | 1,449 | 7.72% | 1,325 | 7.48% |
| Michigan | 2,888 | 3,211 | 17.12% | 3,437 | 19.41% |
| North Carolina | 276 | 234 | 1.25% | 239 | 1.35% |
| Ohio - Central Ohio | 3,135 | 3,155 | 16.82% | 3,265 | 18.44% |
| Ohio - Northeastern Ohio | 3,448 | 3,167 | 16.87% | 3,362 | 18.98% |
| Ohio - Northeastern - Congregate Care | 170 | (14) | (0.07)% | 4 | 0.02% |
| Ohio - Toledo, Ohio | 1,060 | 1,034 | 5.51% | 1,043 | 5.89% |
| Pennsylvania | 468 | 431 | 2.30% | 448 | 2.52% |
| Texas | 104 | 114 | 0.61% | 147 | 0.82% |
| Total "Same Store" Market-Rate | 14,886 | 16,263 | 86.69% | 16,301 | 92.03% |
| Affordable Housing | | | | | |
| Ohio | 1,246 | 1,277 | 6.81% | 1,409 | 7.97% |
| Acquisitions | | | | | |
| Florida | 604 | 1,219 | 6.50% | - | 0.00% |
| | 16,736 | 18,759 | 100.00% | 17,710 | 100.00% |
| Discontinued Operations ⁽²⁾ | | | | | |
| | N/A | 691 | N/A | 839 | N/A |
| Total Properties | N/A | \$ 19,450 | N/A | \$ 18,549 | N/A |

| | | Six Months Ended June 30, | | | |
|---|------------|---------------------------|------------|------------------|------------|
| | No. of | | % of | | % of |
| | Units | 2005 NOI | Total NOI | 2004 NOI | Total NOI |
| "Same Store" Market-Rate | | | | | |
| Florida | 1,128 | \$ 3,800 | 10.55% | \$ 2,982 | 8.45% |
| Georgia | 706 | 1,287 | 3.57% | 1,204 | 3.41% |
| Indiana | 836 | 2,043 | 5.67% | 2,014 | 5.71% |
| Metro D.C. | 667 | 2,900 | 8.05% | 2,599 | 7.37% |
| Michigan | 2,888 | 6,326 | 17.56% | 7,017 | 19.89% |
| North Carolina | 276 | 477 | 1.32% | 515 | 1.46% |
| Ohio - Central Ohio | 3,135 | 6,282 | 17.45% | 6,878 | 19.50% |
| Ohio - Northeastern Ohio | 3,448 | 5,462 | 15.18% | 6,195 | 17.56% |
| Ohio - Northeastern - Congregate Care | 170 | (49) | (0.14)% | (22) | (0.06)% |
| Ohio - Toledo, Ohio | 1,060 | 2,198 | 6.10% | 2,096 | 5.94% |
| Pennsylvania | 468 | 817 | 2.27% | 894 | 2.54% |
| Texas | 104 | 208 | 0.58% | 294 | 0.84% |
| Total "Same Store" Market-Rate | 14,886 | 31,751 | 88.16% | 32,666 | 92.61% |
| Affordable Housing | | | | | |
| Ohio | 1,246 | 2,412 | 6.70% | 2,606 | 7.39% |
| Acquisitions | | | | | |
| Florida | 604 | 1,853 | 5.14% | - | 0.00% |
| | 16,736 | 36,016 | 100.00% | 35,272 | 100.00% |
| Discontinued Operations ⁽²⁾ | | | | | |
| | N/A | 1,391 | N/A | 1,895 | N/A |
| Total Properties | N/A | \$ 37,407 | N/A | \$ 37,167 | N/A |

(1) See page 20 for the Company's definition of this non-GAAP measurement.

(2) Represents NOI included in discontinued operations in the Consolidated Statements of Operations.

Associated Estates Realty Corporation
Debt Structure
As of June 30, 2005
(Dollar and share amounts in thousands)

| | Balance Outstanding June 30, 2005 | Percentage of Total Debt | Weighted Average Interest Rate |
|--|---|--------------------------------|--------------------------------------|
| FIXED RATE DEBT | | | |
| Mortgages payable | \$ 458,042 | 78.2% | 7.7% |
| Unsecured borrowing | 25,780 | 4.4% | 7.9% |
| Total fixed rate debt | 483,822 | 82.6% | 7.7% |
| VARIABLE RATE DEBT | | | |
| Mortgages payable | 99,515 | 17.0% | 5.3% |
| Lines of credit borrowings | 3,000 | 0.4% | 4.6% |
| Total variable rate debt | 102,515 | 17.4% | 5.3% |
| TOTAL DEBT | \$ 586,337 | 100.0% | 7.3% |
| Interest coverage ratio ⁽¹⁾ | 1.54:1 | | |
| Fixed charge coverage ratio ⁽²⁾ | 1.39:1 | | |
| Weighted average maturity | 5.1 years | | |

| SCHEDULED PRINCIPAL MATURITIES | | | |
|---------------------------------------|-------------------|-------------------|-------------------|
| | Fixed Rate | Variable Rate | Total |
| 2005 | \$ - | \$ 13,619 | \$ 13,619 |
| 2006 ⁽³⁾ | - | 42,320 | 42,320 |
| 2007 | 71,811 | 45,220 | 117,031 |
| 2008 | 41,068 | - | 41,068 |
| 2009 | 127,022 | - | 127,022 |
| Thereafter | 243,921 | 1,356 | 245,277 |
| Total | \$ 483,822 | \$ 102,515 | \$ 586,337 |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-----------------|---------------------------|-----------------|
| | 2005 | 2004 | 2005 | 2004 |
| INTEREST RATE SWAP | | | | |
| Amortization of termination fee ⁽⁴⁾ | \$ (263) | \$ (119) | \$ (382) | \$ (238) |
| Interest rate swap expense | (47) | (272) | (111) | (502) |
| Total | \$ (310) | \$ (391) | \$ (493) | \$ (740) |

(1) Is calculated as EBITDA divided by interest expense, including capitalized interest and amortization of deferred financing costs, and excluding preferred redemption cost write-off. See page 20 for a reconciliation of net (loss) income to EBITDA and for the Company's definition of EBITDA.

(2) Represents interest expense and preferred stock dividend payment coverage, excluding preferred redemption cost write-off.

(3) Includes the scheduled maturity on one of the Company's lines of credit.

(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. Effective June 29, 2005, the Company sold one of the properties associated with this swap and as such wrote off \$143,000, which was the remaining unamortized portion of the fee related to this property.

Associated Estates Realty Corporation
Joint Venture Summary Data
For the Three and Six Months Ended June 30, 2005 and 2004
(Unaudited, dollar amounts in thousands)

| Balance Sheet Data | June 30, 2005 | December 31, 2004 |
|-------------------------------|------------------|----------------------|
| Real estate, net | \$ 54,908 | \$ 55,962 |
| Other assets | <u>2,467</u> | <u>1,476</u> |
| | <u>\$ 57,375</u> | <u>\$ 57,438</u> |
| Amount payable to the Company | \$ 23 | \$ 23 |
| Mortgage payable | 46,179 | 45,770 |
| Other liabilities | 1,525 | 968 |
| Equity | <u>9,648</u> | <u>10,677</u> |
| | <u>\$ 57,375</u> | <u>\$ 57,438</u> |

| Beneficial Interest in Operations | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|--------------|---------------------------|---------------|
| | 2005 | 2004 | 2005 | 2004 |
| Revenue | \$ 952 | \$ 1,158 | \$ 1,810 | \$ 2,212 |
| Cost of operations | <u>591</u> | <u>686</u> | <u>1,104</u> | <u>1,282</u> |
| Revenue less cost of operation | 361 | 472 | 706 | 930 |
| Interest income | - | - | - | - |
| Interest expense, net | (288) | (323) | (592) | (676) |
| Depreciation - real estate assets | (239) | (286) | (480) | (571) |
| Depreciation - other | (44) | (50) | (94) | (100) |
| Amortization of deferred costs | (9) | 30 | (17) | 9 |
| Amortization of deferred financing fees | (16) | (10) | (23) | (20) |
| Discontinued operations: | | | | |
| Results of operations | <u>-</u> | <u>(1)</u> | <u>-</u> | <u>2</u> |
| Net (loss) income | (235) | (168) | (500) | (426) |
| Add: | | | | |
| Depreciation - real estate assets | 239 | 285 | 480 | 571 |
| Amortization of deferred costs | 9 | (30) | 17 | (9) |
| Less: | | | | |
| Gain on sale of property | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Funds From Operations (FFO) ⁽¹⁾ | <u>\$ 13</u> | <u>\$ 87</u> | <u>\$ (3)</u> | <u>\$ 136</u> |

| Summary of Debt | Number of Units | At 100% | AERC's Prorata Share | Maturity Date |
|---|--------------------|------------------|-------------------------|---------------|
| Lakeshore Village (50.0% Affordable) | 108 | \$ 4,179 | \$ 2,090 | 8/1/2031 |
| Idlewyld Phase I & II (49.0% Market-Rate) | <u>843</u> | <u>42,000</u> | <u>20,580</u> | 6/1/2010 |
| Total of all joint ventures | <u>951</u> | <u>\$ 46,179</u> | <u>\$ 22,670</u> | |

(1) See page 19 for the Company's definition of this non-GAAP measurement.

(2) On May 27, 2005, the partnership refinanced both loans on these properties with a new single loan. Effective July 1, 2005, the partnership began to operate these two properties as a single entity. In connection with this new loan, the Company has a guaranty and indemnity obligation related to environmental matters and certain customary provisions related to the management of the property.

Associated Estates Realty Corporation
Definitions of Non-GAAP Financial Measures

This supplemental includes certain non-GAAP financial measures that the Company believes are helpful in understanding our business, as further described below. The Company's definition and calculation of these non-GAAP financial measures may differ from those of other REITs, and may, therefore, not be comparable.

Funds from Operations ("FFO")

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.

Funds from Operations ("FFO") Excluding Preferred Redemption Costs

The Company defines FFO excluding preferred redemption costs as FFO, as defined above, plus the add back of the \$2,163,000 original issuance costs associated with the redemption of preferred shares. In accordance with GAAP, the Company reclassified these costs from paid-in-capital to operating activity in connection with the redemption of the Series A Preferred Shares. The Company is providing this calculation as an alternative FFO calculation as it considers it a more appropriate measure of comparing the operating performance of a company's real estate between periods or as compared to different REITs.

Funds Available for Distribution ("FAD")

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 the recurring capital expenditures that are necessary to maintain the associated real estate.

Associated Estates Realty Corporation
Definitions of Non-GAAP Financial Measures

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

EBITDA is defined as earnings before interest, taxes, depreciation and amortization. The Company considers EBITDA to be appropriate supplemental measures of our performance because they eliminate depreciation and interest which permits investors to view income from operations unclouded by non-cash depreciation or the cost of debt. Below is a reconciliation of net (loss) income available to common shareholders to EBITDA.

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|------------------|------------------|------------------|
| | June 30, | | June 30 | |
| | 2005 | 2004 | 2005 | 2004 |
| Net (loss) income available to common shareholders | \$ (432) | \$ 7,181 | \$ (7,275) | \$ 4,745 |
| Equity in net loss of joint venture | 235 | 168 | 500 | 426 |
| Preferred share dividends | 1,262 | 1,371 | 2,607 | 2,742 |
| Original issuance costs related to redemption of preferred shares | - | - | 2,163 | - |
| Interest income | (73) | (53) | (186) | (95) |
| Interest expense | 10,982 | 9,966 | 20,985 | 19,970 |
| Depreciation and amortization | 9,023 | 8,350 | 17,820 | 16,581 |
| Gain on disposition of properties | (4,032) | (9,682) | (4,032) | (9,682) |
| Taxes | 70 | 75 | 140 | 148 |
| EBITDA | 17,035 | 17,376 | 32,722 | 34,835 |
| EBITDA - Joint Ventures: | | | | |
| Equity in net loss of joint venture | (235) | (168) | (500) | (426) |
| Interest income | - | - | - | - |
| Interest expense, net | 304 | 333 | 615 | 696 |
| Depreciation and amortization | 292 | 306 | 591 | 662 |
| EBITDA - Joint Ventures | 361 | 471 | 706 | 932 |
| Total EBITDA | \$ 17,396 | \$ 17,847 | \$ 33,428 | \$ 35,767 |

Net Operating Income ("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 (including interest income). 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.

Property Net Operating Income ("Property NOI")

Property NOI is determined by deducting property operating and maintenance expenses from total property revenue (including interest income). 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.

Associated Estates Realty Corporation
Definitions of Non-GAAP Financial Measures

Recurring Fixed Asset Additions

The Company considers recurring fixed asset additions to a property to be capital expenditures made to replace worn out assets so as to maintain the property's value.

Investment/Revenue Enhancing and/or Non-Recurring Fixed Asset Additions

The Company considers investment/revenue enhancing and/or non-recurring fixed assets to be capital expenditures if such improvements increase the value of the property and/or enable the Company to increase rents.

Same Store "Market-Rate" Properties

Same Store "Market-Rate" Properties are conventional multifamily residential apartments, which have reached stabilization. The Company considers a property stabilized when its occupancy rate reaches 93.0% or one year following the purchase or delivery of the final units, whichever occurs first.