SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2005

OR

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

Commission File Number 1-13136

HOME PROPERTIES, INC.
(Exact name of registrant as specified in its charter)

MARYLAND	16-1455126
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

850 Clinton Square, Rochester, New York 14604
(Address of principal executive offices) (Zip Code)

(585) 546-4900
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former year, if changed since last report)

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES __X__ NO ____

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

YES __X__ NO ____

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

Class of Common Stock	Outstanding at July 29, 2005
$.01 par value	32,535,193

HOME PROPERTIES, INC.

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
HOME PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2005 AND DECEMBER 31, 2004
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	2005 (Unaudited)	2004 (Note 1)
ASSETS		
Real estate:		
Land	$ 408,231	$ 402,620
Construction in progress	4,687	1,627
Buildings, improvements and equipment	2,717,544	2,640,943
Real estate held for sale or disposal, net	41,072	78,711
	3,171,534	3,123,901
Less: accumulated depreciation	(454,179)	(405,919)
Real estate, net	2,717,355	2,717,982
Cash and cash equivalents	10,073	7,925
Cash in escrows	42,308	43,883
Accounts receivable	4,385	6,664
Prepaid expenses	13,665	18,224
Deferred charges	13,086	13,778
Other assets	9,559	8,340
Total assets	$2,810,431	$2,816,796
LIABILITIES AND STOCKHOLDERS' EQUITY		
Mortgage notes payable	$1,716,595	$1,644,722
Line of credit	78,000	58,000
Accounts payable	15,488	24,600
Accrued interest payable	7,945	8,876
Accrued expenses and other liabilities	22,749	26,750
Security deposits	23,365	22,651
Total liabilities	1,864,142	1,785,599
Commitments and contingencies		
Minority interest	292,208	310,775
Stockholders' equity:		
Cumulative redeemable preferred stock, $.01 par value; 2,400,000 shares issued and outstanding at June 30, 2005 and December 31, 2004	60,000	60,000
Convertible cumulative preferred stock, $.01 par value; 10,000,000 shares authorized; 250,000 shares issued and outstanding at December 31, 2004	-	25,000
Common stock, $.01 par value; 80,000,000 shares authorized; 32,471,502 and 32,625,413 shares issued and outstanding at June 30, 2005 and December 31, 2004, respectively	325	326
Excess stock, $.01 par value; 10,000,000 shares authorized; no shares issued or outstanding	-	-
Additional paid-in capital	798,591	807,212
Accumulated other comprehensive income (loss)	(91)	(362)
Distributions in excess of accumulated earnings	(204,744)	(171,754)
Total stockholders' equity	654,081	720,422
Total liabilities and stockholders' equity	$2,810,431	$2,816,796

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

HOME PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(UNAUDITED, IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	2005	2004
Revenues:		
Rental income	$227,990	$213,585
Property other income	11,265	9,877
Interest and dividend income	141	299
Other income	1,027	1,163
Total revenues	240,423	224,924
Expenses:		
Operating and maintenance	111,134	102,377
General and administrative	9,549	9,617
Interest	50,116	43,599
Depreciation and amortization	48,716	43,157
Impairment of assets held as general partner	-	1,116
Total expenses	219,515	199,866
Income from operations	20,908	25,058
Equity in earnings (losses) of unconsolidated affiliates	-	(563)
Income before minority interest and discontinued operations	20,908	24,495
Minority interest	(5,749)	(6,712)
Income from continuing operations	15,159	17,783
Discontinued operations		
Income (loss) from operations, net of ($2,635) in 2005 and ($284) in 2004 allocated to minority interest	(5,335)	(787)
Gain (loss) on disposition of property, net of ($39) in 2005 and $246 in 2004 allocated to minority interest	(77)	511
Discontinued operations	(5,412)	(276)
Income before loss on disposition of property and business and cumulative effect of change in accounting principle	9,747	17,507
Loss on disposition of property and business, net of ($33) in 2004 allocated to minority interest	-	(67)
Income before cumulative effect of change in accounting principle	9,747	17,440
Cumulative effect of change in accounting principle, net of ($159) in 2004 allocated to minority interest	-	(321)
Net income	9,747	17,119
Preferred dividends	(3,579)	(3,797)
Net income available to common shareholders	$ 6,168	$13,322
Basic earnings per share data:		
Income from continuing operations	$ .36	$ .43
Discontinued operations	(.17)	(.01)
Cumulative effect of change in accounting principle	-	(.01)
Net income available to common shareholders	$ .19	$ .41
Diluted earnings per share data:		
Income from continuing operations	$ .36	$ .42
Discontinued operations	(.17)	(.01)
Cumulative effect of change in accounting principle	-	(.01)
Net income available to common shareholders	$ .19	$ .40
Weighted average number of shares outstanding:		
Basic	31,831,604	32,600,754
Diluted	32,252,276	33,088,059

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

HOME PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED JUNE 30, 2005 AND 2004
(UNAUDITED, IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	2005	2004
Revenues:		
Rental income	$115,032	$108,524
Property other income	6,092	5,284
Interest and dividend income	73	147
Other income	439	698
Total revenues	121,636	114,653
Expenses:		
Operating and maintenance	53,623	49,267
General and administrative	4,144	4,892
Interest	25,173	22,674
Depreciation and amortization	24,520	22,107
Total expenses	107,460	98,940
Income from operations	14,176	15,713
Equity in earnings (losses) of unconsolidated affiliates	-	(25)
Income before minority interest and discontinued operations	14,176	15,688
Minority interest in operating partnership	(4,151)	(4,423)
Income from continuing operations	10,025	11,265
Discontinued operations		
Income (loss) from operations, net of ($114) in 2005 and ($463) in 2004 allocated to minority interest	(229)	(1,148)
Gain (loss) on disposition of property, net of ($39) in 2005 and $252 in 2004 allocated to minority interest	(77)	524
Discontinued operations	(306)	(624)
Net income	9,719	10,641
Preferred dividends	(1,681)	(1,899)
Net income available to common shareholders	$ 8,038	$ 8,742
Basic earnings per share data:		
Income from continuing operations	$ .26	$ .29
Discontinued operations	(.01)	(.02)
Net income available to common shareholders	$ .25	$ .27
Diluted earnings per share data:		
Income from continuing operations	$ .26	$ .28
Discontinued operations	(.01)	(.02)
Net income available to common shareholders	$ .25	$ .26
Weighted average number of shares outstanding:		
- Basic	31,843,551	32,876,882
- Diluted	32,279,115	33,317,967

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

HOME PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(UNAUDITED, IN THOUSANDS)

	2005	2004
Net income	$ 9,747	$17,119
Other comprehensive income (net of minority interest):		
Change in fair value of hedge instruments	271	223
Comprehensive income	$10,018	$17,342

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

HOME PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2005 AND 2004
(UNAUDITED, IN THOUSANDS)

	2005	2004
Net income	$9,719	$10,641
Other comprehensive income (net of minority interest):		
Change in fair value of hedge instruments	(82)	151
Comprehensive income	$9,637	$10,792

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

HOME PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(UNAUDITED, IN THOUSANDS)

	2005	2004
Cash flows from operating activities:		
Net income	$ 9,747	$ 17,119
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in losses of unconsolidated affiliates	-	563
Income allocated to minority interest	3,075	6,482
Depreciation and amortization	49,720	48,250
Impairment of assets held as General Partner	400	1,116
Impairment of real property	7,325	1,100
Loss (Gain) on disposition of property and business	115	(657)
Loss from early extinguishment of debt	-	102
Issuance of restricted stock, compensation cost of stock options and deferred compensation	1,350	1,354
Cumulative effect of change in accounting principle	-	480
Changes in assets and liabilities:		
Other assets	5,277	4,232
Accounts payable and accrued liabilities	(13,005)	5,019
Total adjustments	54,257	68,041
Net cash provided by operating activities	64,004	85,160
Cash flows used in investing activities:		
Purchase of properties and other assets, net of mortgage notes assumed and UPREIT Units issued	(19,561)	(64,376)
Additions to properties	(42,226)	(48,733)
Proceeds from sale of properties and business, net	-	8,861
Proceeds from sale of affordable properties, net	-	137
Advances to affiliates	-	(820)
Payments on advances to affiliates	-	124
Net cash used in investing activities	(61,787)	(104,807)
Cash flows from financing activities:		
Proceeds from sale of common stock, net	4,263	19,494
Repurchase of common stock	(53,320)	-
Proceeds from mortgage notes payable	150,207	70,674
Payments of mortgage notes payable	(54,741)	(27,510)
Payment of prepayment penalty in connection with the early extinguishment of debt	-	(102)
Proceeds from line of credit	152,200	129,000
Payments on line of credit	(132,200)	(103,000)
Payments of deferred loan costs	(1,641)	(1,346)
Additions to cash escrows, net	(1,909)	(3,338)
Repayment of officer loans	-	236
Dividends and distributions paid	(62,928)	(63,726)
Net cash provided by (used in) financing activities	(69)	20,382
Net increase in cash and cash equivalents	2,148	735
Cash and cash equivalents:		
Beginning of year	7,925	5,103
Cash assumed in connection with FIN 46R consolidation	-	850
End of year	$ 10,073	$ 6,688
Supplemental disclosure of non-cash operating, investing and financing activities:		
Mortgage loans assumed associated with property acquisitions	$ 7,916	$ 69,782
Exchange of UPREIT Units/partnership interest for common shares	2,136	13,843
Fair value of hedge instruments	253	682
Issuance of UPREIT Units associated with property and other acquisitions	12,611	12,105
Increase in real estate associated with the purchase of UPREIT Units	2,856	12,470
Compensation cost of stock options issued	455	439
Net real estate disposed in connection with FIN 46R consolidation	(30,651)	-
Other assets disposed in connection with FIN 46R consolidation	(4,403)	-
Mortgage debt disposed in connection with FIN 46R consolidation	(30,021)	-
Other liabilities disposed in connection with FIN 46R consolidation	(827)	-
Net real estate assumed in connection with FIN 46R consolidation	-	152,319
Other assets assumed in connection with FIN 46R consolidation	-	11,916
Mortgage debt assumed in connection with FIN 46R consolidation	-	129,149
Other liabilities assumed in connection with FIN 46R consolidation	-	5,363

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

1. Unaudited Interim Financial Statements

The interim consolidated financial statements of Home Properties, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the applicable rules and regulations of the Securities and Exchange Commission. Accordingly, certain disclosures that would accompany annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America are omitted. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments, necessary for the fair presentation of the consolidated financial statements for the interim periods have been included. The current period's results of operations are not necessarily indicative of results which ultimately may be achieved for the year. The interim consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 2004.

2. Organization and Basis of Presentation

Organization

The Company is engaged primarily in the ownership, management, acquisition, and rehabilitation of residential apartment communities in the Northeastern, Mid-Atlantic, Midwestern and Southeast Florida regions of the United States. As of June 30, 2005, the Company operated 160 apartment communities with 47,054 apartment units. Of this total, the Company owned 152 communities, consisting of 42,320 apartment units (“Owned Communities”), managed as general partner 1,925 apartment units and fee managed 2,809 apartments for affiliates and third parties.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its 67.3% (68.1% at June 30, 2004) partnership interest in Home Properties, L.P. (the “Operating Partnership”). Such interest has been calculated as the percentage of outstanding common shares divided by the total outstanding common shares and Operating Partnership Units ("UPREIT Units") outstanding. The remaining 32.7% (31.9% at June 30, 2004) is reflected as Minority Interest in these consolidated financial statements. The Company owns a 1.0% general partner interest in the Operating Partnership and the remainder as a limited partner through its wholly owned subsidiary, Home Properties I, LLC, which owns 100% of the limited partner, Home Properties Trust. Home Properties Trust was formed in September 1997, as a Maryland real estate trust and as a qualified REIT subsidiary ("QRS") and owns the Company's share of the limited partner interests in the Operating Partnership. For financing purposes, the Company has formed a limited liability company (the "LLC") and a partnership (the "Financing Partnership"), which beneficially own certain apartment communities encumbered by mortgage indebtedness. The LLC is wholly owned by the Operating Partnership. The Financing Partnership is owned 99.9% by the Operating Partnership and 0.1% by the QRS.

The accompanying consolidated financial statements include the accounts of two wholly owned subsidiaries, Home Properties Management, Inc. and Home Properties Resident Services, Inc. (the “Management Companies”). All significant inter-company balances and transactions have been eliminated in these consolidated financial statements.

2. Organization and Basis of Presentation (continued)

Through March 30, 2004, the Company accounted for its investment as managing general partner ("GP") in unconsolidated affordable housing limited partnerships ("LP") using the equity method of accounting. Effective March 31, 2004, the Company adopted FASB Interpretation No. 46R, Consolidation of Variable Interest Entities ("FIN 46R"). This interpretation addresses consolidation by business enterprises of variable interest entities in which the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties or in which the equity investors do not have the characteristics of a controlling financial interest. This interpretation requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The interpretation also requires disclosures about variable interest entities that the company is not required to consolidate but in which it has a significant variable interest.

As of March 31, 2004, the Company was the general partner in 41 limited partnerships in Upstate New York, Pennsylvania, Ohio and Maryland. The Company had made a determination that all 41 limited partnerships were Variable Interest Entities ("VIEs"). The Company had further determined that it was the primary beneficiary in 34 of the VIEs and therefore consolidated these entities effective March 31, 2004. Beginning with the second quarter of 2004, the Company consolidated the results of operations of the VIEs. During 2004, the Company sold most of these consolidated VIEs such that three partnerships (two properties) remain as of June 30, 2005. The results of operations for the VIEs for the three- and six-month periods ending June 30, 2005, are included in discontinued operations. These properties are classified as held for sale because as of June 30, 2005, the Company is under a letter of intent to sell one of the partnerships for which due diligence is in process and the remaining two partnerships are being disposed of through a default on the non-recourse financing.

As of March 31, 2004, Home Properties determined that it was not the primary beneficiary in seven partnerships syndicated under U.S. Department of Housing and Urban Development subsidy programs, none of which remained as of June 30, 2005. These investments were accounted for under the equity method through their sale. The Company recorded its allocable share of the respective partnership's income or loss based on the terms of the agreements. To the extent it was determined that the LPs could not absorb their share of the losses, if any, the GP recorded the LPs share of such losses. The Company absorbed such losses to the extent the Company had outstanding loans or advances and the limited partner had no remaining capital account. All seven partnerships have been sold as of June 30, 2005.

Reclassifications

Certain reclassifications have been made to the 2004 consolidated financial statements to conform to the 2005 presentation.

3. Adoption of New Accounting Policies

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123R *Share Based Payment* (SFAS No. 123R). The statement is a revision of SFAS No. 123 *Accounting for Stock-Based Compensation.* SFAS No 123R supersedes APB Opinion No. 25 *Accounting for Stock Issued to Employees*, and its related implementation guidance. SFAS 123R, requires that entities recognize the cost of employee services received in exchange for awards of equity instruments (i.e. stock options) based on the grant-date fair value of those awards. The Statement is effective for the first fiscal periods beginning after June 15, 2005. On January 1, 2003, the Company adopted the provisions of SFAS No. 148 *Accounting for Stock-Based Compensation – Transition and Disclosure*, an Amendment to SFAS No. 123. Effective on that date, the Company began recognizing compensation cost related to stock option grants. Based upon the Company's adoption of SFAS No. 148, the Company does not expect the issuance of SFAS No. 123R to have a material impact on the Company's results of operations, financial position or liquidity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

4. Earnings Per Common Share

Basic earnings per share ("EPS") is computed as net income available to common shareholders divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock-based compensation including stock options, restricted stock, phantom shares under the Company's incentive compensation plan, warrants and the conversion of any cumulative convertible preferred stock. The exchange of an Operating Partnership Unit for common stock will have no effect on diluted EPS as Unitholders and stockholders effectively share equally in the net income of the Operating Partnership. Income from continuing operations is the same for both the basic and diluted calculation.

The reconciliation of the basic and diluted earnings per share for the three-months ended June 30, 2005 and 2004 is as follows:

	Six Months		Three Months	
	2005	2004	2005	2004
Income from continuing operations	$15,159	$17,783	$10,025	$11,265
Add: Loss on disposal of property	-	(67)	-	-
Less: Preferred dividends	(3,579)	(3,797)	(1,681)	(1,899)
Basic and Diluted – Income from continuing operations applicable to common shareholders	11,580	13,919	8,344	9,366
Less: Cumulative effect of change in accounting principle	-	(321)	-	-
Discontinued operations	(5,412)	(276)	(306)	(624)
Net income available to common shareholders	$6,168	$13,322	$8,038	$8,742
Basic weighted average number of shares outstanding	31,831,604	32,600,754	31,843,551	32,876,882
Effect of dilutive stock options	349,365	396,361	367,606	353,998
Effect of restricted shares	71,307	90,944	67,958	87,087
Diluted weighted average number of shares outstanding	32,252,276	33,088,059	32,279,115	33,317,967
Basic earnings per share				
Income from continuing operations	$.36	$.43	$.26	$.29
Discontinued operations	(.17)	(.01)	(.01)	(.02)
Cumulative effect of change in accounting principle	-	(.01)	-	-
Net Income available to common shareholders	$.19	$.41	$.25	$.27
Diluted earnings per share				
Income from continuing operations	$.36	$.42	$.26	$.28
Discontinued operations	(.17)	(.01)	(.01)	(.02)
Cumulative effect of change in accounting principle	-	(.01)	-	-
Net Income available to common shareholders	$.19	$.40	$.25	$.26

Unexercised stock options and warrants to purchase 547,000 shares of the Company's common stock for the three- and six-month periods ended June 30, 2005 were not included in the computations of diluted EPS because the options' exercise prices were greater than the average market price of the Company's stock during those periods.

4. Earnings Per Common Share (continued)

For the three- and six-month periods ended June 30, 2004, no unexercised stock options to purchase shares of the Company's common stock were excluded in the computations of diluted EPS as the options' exercise prices were less than the average market price of the Company's stock during each period. For the three- and six-month periods ended June 30, 2005 and 2004, the 833,333 common stock equivalents on an as-converted basis of the Series D Convertible Cumulative Preferred Stock have an antidilutive effect and are not included in the computation of diluted EPS to the extent they were not converted. On May 26, 2005, the Series D convertible preferred stock were converted and were included in outstanding common shares from the date of conversion.

5. Other income

Other income for the three-month periods ended June 30, 2005 and 2004 is management and other real-estate service fees.

6. Variable interest entities

Effective March 31, 2004, the Company adopted FASB Interpretation No. 46R – Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 – Consolidated Financial Statements. The interpretation addresses consolidation by businesses of special purpose entities (variable interest entities, "VIE"). The Company had made a determination that all 41 of the remaining limited partnerships as of that date were Variable Interest Entities.

The Company determined that it was not the primary beneficiary in seven partnerships syndicated under U.S. Department of Housing and Urban Development subsidy programs of which all have been sold as of June 30, 2005. The Company purchased the general partnership interests in these partnerships in January, 1996. These partnerships were set up to provide low income housing to residents through subsidized rents and below market debt governed by HUD. The Company as general partner and managing agent managed the day-to-day operations of the partnerships for a fee (5% of rents collected). The Company's economic benefit from these partnerships was the management fee. There was no exposure to the Company of loss as a result of its involvement with these partnerships. No management fees were recognized on these partnerships during the three- and six-month periods ended June 30, 2005. The management fees earned on these partnerships were $35 and $73 for the three- and six-month periods ended June 30, 2004. The assets and liabilities of the seven partnerships totaled $8.5 million and $14.1 million at June 30, 2004, respectively.

The Company had further determined that it was the primary beneficiary in 34 of the VIEs and therefore consolidated these entities effective March 31, 2004. Beginning with the second quarter of 2004, the Company consolidated the results of operations of the VIEs. The results of operations of the remaining three of the original 34 VIEs for the three- and six-month periods ending June 30, 2005 are included in discontinued operations as all of the VIEs are held for sale as described below.

The Company was the general partner in these 34 VIEs syndicated using low income housing tax credits under Section 42 of the Internal Revenue Code. As general partner, the Company managed the day-to-day operations of these partnerships for a management fee. In addition, the Company has certain operating deficit guarantees and tax credit guarantees to its limited partners (as discussed in Note 11). The Company is responsible to fund operating deficits to the extent there are any and can receive operating incentive awards when cash flow reach certain levels. The effect on the consolidated balance sheet as of June 30, 2005 is an increase in Total assets of $45.1 million, an increase in Total liabilities of $48.3 million, an increase in Minority interest of $1.7 million, and a decrease in Stockholders' equity of $4.9 million. Of the $48.3 million increase in total liabilities, $46.4 million represent non-recourse mortgage debt. In connection with the adoption of FIN 46R, the Company recorded a $321 charge, net of minority interest, for a cumulative effect of a change in accounting principle during the first quarter of 2004. This charge was a result of the negative capital accounts of minority interest partners that were absorbed by the Company.

6. Variable interest entities (continued)

Effective June 30, 2005, the Company has closed on the sale of all but three of the 41 VIEs. In addition, the Company has a letter of intent for the sale of one of the remaining three VIEs. Based on the offer received in the first quarter of 2005 on one of these three VIEs, the Company had recorded an impairment charge of $400 for the three month period ended March 31, 2005. The remaining two VIEs (not under contract for sale) are being disposed of through a default on the non-recourse financing. The Company repurchased the limited partner's interests in satisfaction of any tax credit guarantees or other obligations to that partner in January, 2005 for $5.7 million. The Company performed a valuation analysis on the underlying real estate, and as a result, recorded a $7.3 million impairment of real estate to adjust the net book value of the property to the Company's estimate of fair market value. The mortgage note was sold in March, 2005. An abandonment of the property is expected to occur later in the third quarter ending September 30, 2005.

During the first quarter of 2004, the Company recorded an impairment charge of $1.6 million to reduce the value of the assets associated with the VIEs to management's estimate of fair market value. The impairment charge is classified in the financial statements as "Impairment of assets held as general partner" of $1,116 and "Equity in earnings (losses) of unconsolidated affiliates" of $484. A portion of the total $1,116 charge, or $171, represents monies loaned to certain affordable properties during the first quarter of 2004 to fund operating shortfalls, which were not anticipated to be recovered from projected sale proceeds. The remaining balance of $945 pertains to an additional net impairment charge taken to reduce the assets to estimated fair market value. Of the total impairment charge recorded of $1.6 million for the three-month period ended March 31, 2004, $655 related to cash advances to fund operating shortfalls.

7. Segment Reporting

The Company is engaged in the ownership and management of primarily market rate apartment communities. Each apartment community is considered a separate operating segment. Each segment on a stand alone basis is less than 10% of the revenues, profit or loss, and assets of the combined reported operating segments and meets the majority of the aggregation criteria under SFAS No. 131. The operating segments are aggregated and segregated as Core and Non-core properties.

Non-segment revenue to reconcile to total revenue consists of interest and dividend income and other income. Non–segment assets to reconcile to total assets include cash and cash equivalents, cash in escrows, accounts receivable, prepaid expenses, investments in and advances to affiliates, deferred charges and other assets.

Core properties consist of all apartment communities which have been owned more than one full calendar year. Therefore, the Core Properties represent communities owned as of January 1, 2004. Non-core properties consist of apartment communities acquired during 2004 and 2005, such that full year comparable operating results are not available.

The accounting policies of the segments are the same as those described in Notes 1 and 2 of the Company's Form 10-K for the year ended December 31, 2004.

The Company assesses and measures segment operating results based on a performance measure referred to as Funds from Operations ("FFO"). FFO is defined as net income (computed in accordance with GAAP) excluding gains or losses from the sales of property and business or non-cash real estate impairment charge, minority interest in the Operating Partnership, extraordinary items, plus real estate depreciation, less dividends from non-convertible preferred shares. FFO is not a measure of operating results or cash flows from operating activities as measured by generally accepted accounting principles and it is not indicative of cash available to fund cash needs and should not be considered an alternative to cash flows as a measure of liquidity. Other companies may calculate similarly titled performance measures in a different manner.

(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

7. Segment Reporting (continued)

The revenues, profit (loss), and assets for each of the reportable segments are summarized as of and for the six- and three-month periods ended June 30, 2005, and 2004 as follows:

	Six Months		Three Months	
	2005	2004	2005	2004
Revenues				
Apartments owned				
Core properties	$221,612	$217,782	$111,909	$109,818
Non-core properties	17,643	5,680	9,215	3,990
Reconciling items	1,168	1,462	512	845
Total Revenue	$240,423	$224,924	$121,636	$114,653
Profit (loss)				
Funds from operations:				
Apartments owned				
Core properties	$118,347	$117,747	$62,302	$62,228
Non-core properties	9,774	3,338	5,199	2,313
Reconciling items	1,168	1,462	512	845
Segment contribution to FFO	129,289	122,547	68,013	65,386
General & administrative expenses	(9,549)	(9,617)	(4,144)	(4,892)
Interest expense	(50,116)	(43,599)	(25,173)	(22,674)
Depreciation of unconsolidated affiliates	-	556	-	13
Non-real estate depreciation/amortization	(1,596)	(1,678)	(783)	(936)
FAS 141 acquisition rent / intangibles	408	510	188	328
Equity in earnings (losses) of unconsolidated affiliates	-	(563)	-	(25)
Impairment of assets held as General Partner	-	(1,116)	-	-
Impairment of affordable assets not in FFO	-	945	-	-
Loss on sale of business	-	(17)	-	-
Income (loss) from discontinued operations before minority interest and depreciation	(7,970)	1,281	(343)	80
Redeemable preferred dividend (Series F)	(2,700)	(2,700)	(1,350)	(1,350)
Funds from Operations	57,766	66,549	36,408	35,930
Depreciation – apartments owned	(47,120)	(42,772)	(23,737)	(21,803)
Depreciation of unconsolidated affiliates	-	(1,615)	-	(1,072)
FAS 141 acquisition rent/intangibles	(408)	(510)	(188)	(328)
Redeemable preferred dividend	2,700	2,700	1,350	1,350
Impairment of affordable assets not in FFO	-	(945)	-	-
Loss from discontinued operations before minority interest and loss on disposition of property	7,970	1,088	343	1,611
Minority interest in operating partnership	(5,749)	(6,712)	(4,151)	(4,423)
Income from continuing operations	$15,159	$17,783	$10,025	$11,265

Assets – As of June 30, 2005 and December 31, 2004		
Apartments owned:		
- Core	$2,364,174	$2,368,691
- Non-core	353,181	349,291
Reconciling items	93,076	98,814
Total Assets	$2,810,431	$2,816,796

(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

8. Pro Forma Condensed Financial Information

The Company acquired three apartment communities ("2005 Acquired Communities") with a combined 550 apartment units in three unrelated transactions during the six-month period ended June 30, 2005. The total combined purchase price (including closing costs) of $40.2 million equates to approximately $73 per unit. Consideration for the communities was funded through the assumption or placement of new debt of $7.9 million, $19.7 million from the Company's line of credit and $12.6 million of UPREIT Units.

The following proforma information was prepared as if the 2005 transactions related to the acquisition of the 2005 Acquired Communities had occurred on January 1, 2004. The proforma financial information is based upon the historical consolidated financial statements and is not necessarily indicative of the consolidated results which actually would have occurred if the transactions had been consummated on January 1, 2004, nor does it purport to represent the results of operations for future periods. Adjustments to the proforma condensed combined statement of operations for the six- and three-month periods ended June 30, 2005 and 2004, consist principally of providing net operating activity and recording interest, depreciation and amortization from January 1, 2004 to the acquisition date as appropriate.

	For the Six Months Ended June 30,		For the Three Months Ended June 30,	
	2005	2004	2005	2004
Total revenues	$240,999	$227,465	$121,636	$117,194
Net income available to common shareholders before cumulative effect of change in accounting principle	11,571	13,821	8,344	9,709
Net income available to common shareholders	11,571	13,500	8,344	9,709
Per common share data:				
Net income available to common shareholders before cumulative effect of change in accounting principle				
Basic	$0.36	$0.42	$0.26	$0.30
Diluted	$0.36	$0.42	$0.26	$0.29
Net income available to common shareholders				
Basic	$0.36	$0.41	$0.26	$0.30
Diluted	$0.36	$0.41	$0.26	$0.29
Weighted average numbers of shares outstanding:				
Basic	31,831,604	32,600,754	31,843,551	32,876,882
Diluted	32,252,276	33,088,059	32,279,115	33,317,967

(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

9. Derivative Financial Instruments

The Company has four interest rate swaps that effectively convert variable rate debt to fixed rate debt. As of June 30, 2005, the aggregate fair value of the Company's interest rate swaps was $253 prior to the allocation of minority interest and is included in accrued expenses and other liabilities in the consolidated balance sheets. For the three-and six-months ending June 30, 2005, as the critical terms of the interest rate swaps and the hedged items are the same, no ineffectiveness was recorded in the consolidated statements of operations. All components of the interest rate swaps were included in the assessment of hedge effectiveness. The fair value of the interest rate swaps is based upon the estimate of amounts the Company would receive or pay to terminate the contract at the reporting date and is estimated using interest rate market pricing models.

10. Disposition of Property and Discontinued Operation

In connection with the Company's strategic asset disposition program, management is constantly reevaluating the performance of its portfolio on a property-by-property basis. The Company from time to time determines that it is in the best interest of the Company to dispose of assets that have reached their potential or are less efficient to operate due to their size or remote location and reinvest such proceeds in higher performing assets located in targeted geographic markets. It is possible that the Company will sell such properties at a loss. In addition, it is possible that for assets held for use, certain holding period assumptions made by the Company may change which could result in the Company's recording of an impairment charge.

Included in discontinued operations are the operating results, net of minority interest, of three VIEs for the three-months ended June 30, 2005 and five VIEs for the six-months ended June 30, 2005. Three of the VIEs are held for sale as of June 30, 2005. Assets and liabilities for these three VIEs of approximately $45.1 million and $48.3 million, respectively, are included in the Consolidated Balance Sheet and relate primarily to real estate and mortgage notes, respectively. Included in mortgage notes payable is approximately $46.4 million related to these three VIEs. For purposes of the discontinued operations presentation, the Company only includes interest expense associated with specific mortgage indebtedness of the properties that are sold or classified as held for sale.

The operating results of the components of discontinued operations are summarized for the three- and six-month periods ended June 30, 2005 and 2004 as follows:

	Six months		Three months	
	2005	2004	2005	2004
Revenues				
Rental income	$4,214	$12,989	$2,013	$9,524
Property other income	171	419	97	243
Other income (loss)	(113)	-	(54)	-
Total revenues	4,272	13,408	2,056	9,767
Expenses				
Operating and maintenance	4,194	8,001	2,120	6,164
Interest expense	300	2,962	279	2,359
Depreciation and amortization	-	4,231	-	3,570
Impairment of real property	7,725	1,100	-	1,100
Total expenses	12,219	16,294	2,399	13,193
Income (loss) from discontinued operations before minority interest and gain (loss) on disposition of property	(7,947)	(2,886)	(343)	(3,426)
Minority interest in limited partnership	(23)	1,815	-	1,815
Minority interest in operating partnership	2,635	284	114	463
Income (loss) from discontinued operations	($5,335)	($ 787)	($ 229)	($1,148)

11. Commitments and Contingencies

Contingencies

The Company is not a party to any legal proceedings which are expected to have a material adverse effect on the Company's liquidity, financial position or results of operations. The Company is subject to a variety of legal actions for personal injury or property damage arising in the ordinary course of its business, most of which are covered by liability insurance. While the resolution of these matters cannot be predicted with certainty, management believes that the final outcome of such legal proceedings and claims will not have a material adverse effect on the Company's liquidity, financial position or results of operations.

In 2001, the Company underwent a state capital stock tax audit. The state had assessed taxes of $469 for the 1998 and 1999 tax years under audit. If the state's position is applied to all tax years through December 31, 2001, the assessment would be $1.3 million. At the time, the Company believed the assessment and the state's underlying position were not supportable by the law nor consistent with previously provided interpretative guidance from the office of the State Secretary of Revenue. After two subsequent enactments by the state legislation during 2002 affecting the pertinent tax statute, the Company was advised by outside tax counsel that its filing position for 1998-2001 should prevail. During December 2003, the state's governor signed legislation which included the REIT tax provisions. Based upon this, Company's tax counsel expects that the outstanding litigation should now be able to be resolved. Effective January 1, 2003, the Company reorganized the ownership of Home Properties Trust, which should subject the Company to a much lower level of tax going forward. In September 2004, the Company settled the 1998 year under audit for a total of $39, including interest. During the first quarter of 2005, the Company filed a protest with the Pennsylvania State Commonwealth Court concerning the 1999 tax year. No settlement offer has been made or discussed related to the 1999 tax year. The 1999-2001 tax years will take time to resolve, however, the Company's outside counsel still maintains that the Company should not have any additional liability.

During April, 2004, the Company finalized negotiations with New York State settling a sales and use tax audit covering the period June 1, 1999 through May 31, 2002. The total cost to the Company as a result of the audit amounted to $861. This was included in the first quarter 2004 results and allocated $448 to expense and $413 capitalized to real estate assets for improvements.

As a result of this audit, during the second quarter of 2004, the Company examined its sales and use tax compliance in the other states in which the Company operates. Based upon its internal analysis, the Company estimated its liability as of June 30, 2004 in those states where it found non-compliance and recorded at June 30, 2004 a liability of $1,712. This was included in the second quarter results and allocated $761 to expense and $951 capitalized to real estate assets for improvements. The liability recorded relates to the period beginning on the later of: (i) the date the Company first purchased property in the applicable state; or (ii) January 1, 1997 and ending on June 30, 2004. In addition, the Company increased the liability for sales tax exposure by $68 for the six-month period ended December 31, 2004. The Company has filed Voluntary Disclosure Agreements (VDAs) with the four states where it had significant financial exposure. During the first six months of 2005, the Company signed VDAs with these states which have agreed to limit the VDA filing period back to January 1, 2001, and has satisfied all financial obligations under the VDAs. For the three- and six-month periods ended June 30, 2005, the Company has recorded adjustments to the liability for both the effects of signing the VDAs as well as for the results of the Company's additional testing for the first six months. The net impact of these adjustments resulted in a decrease in real estate assets of $175, interest expense of $115 and operating expenses of $108 for a net decrease to the accrued liability of $398. The Company recognizes that the liability recorded of $665 as of June 30, 2005 is an estimate and that the actual tax liability that will be paid in the future may be less than or greater than this estimate.

11. Commitments and Contingencies (Continued)

Guarantees

As of June 30, 2005, the Company, through its general partnership interest in an affordable property limited partnership, has guaranteed the Low Income Housing Tax Credits to limited partners totaling approximately $3.0 million. As of June 30, 2005, there were no known conditions that would make such payments necessary relating to these guarantees. In addition, the Company, acting as general partner in this partnership, is obligated to advance funds to meet partnership operating deficits.

12. Related Party Transactions

On January 1, 2004, the Company sold certain assets of its commercial property management division to Home Leasing LLC, which is owned by Nelson and Norman Leenhouts. This division managed approximately 2.2 million square feet of gross leasable area, as well as certain planned communities. The initial amount paid was $82. In addition, the Company is entitled to receive a percentage of the management fee received by Home Leasing in connection with the management of one of the commercial properties for a period not to exceed 36 months. The expected monthly fee as outlined in the contract is approximately $4.6 or $55 per year. If Home Leasing continues to manage the property for three years, the Company is expected to receive total additional deferred purchase price of $166. No additional deferred purchase price was recognized during the six months ended June 30, 2005. The cumulative gain recognized on the sale of these assets through June 30, 2005 amounted to $24. If the management of this property is retained for the entire three years the Company expects to receive an additional $110 for the period July 1, 2005 through January 1, 2007. The gain on sale would then be approximately $134.

13. Subsequent Events

On July 8, 2005, the Company sold a 110-unit property in Philadelphia for $5.9 million. A gain on sale of approximately $1.8 million (before allocation of minority interest) will be recorded in the third quarter related to this sale.

On July 15, 2005, the Company acquired Sayville Commons, a 342-unit apartment community located in Sayville (Long Island), New York. The total purchase price of $63.6 million equates to approximately $186 per unit. Consideration included $43.6 million in 10-year fixed mortgage debt at an interest rate of 5.0% and $20 million from the Company's line of credit.

On August 3, 2005, the Board of Directors approved a dividend of $.63 per share for the quarter ended June 30, 2005. This is the equivalent of an annual distribution of $2.52 per share. The dividend is payable August 26, 2005 to shareholders of record on August 15, 2005.

On August 3, 2005, the Company also declared a regular dividend of $.5625 per share on its Series F Cumulative Redeemable Preferred Stock, for the quarter ending August 31, 2005. The dividend on the preferred shares is payable on August 31, 2005 to shareholders of record on August 15, 2005. This dividend is equivalent to an annualized rate of $2.25 per share.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

The following discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Forward-Looking Statements

This discussion contains forward-looking statements. Although the Company believes expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. Factors that may cause actual results to differ include general economic and local real estate conditions, the weather and other conditions that might affect operating expenses, the timely completion of repositioning activities within anticipated budgets, the actual pace of future acquisitions and sales, including the sale of the general partner interests in affordable properties, and continued access to capital to fund growth.

Liquidity and Capital Resources

The Company's principal liquidity demands are expected to be distributions to the common and preferred stockholders and Operating Partnership Unitholders, capital improvements and repairs and maintenance for the properties, acquisition of additional properties, property development and debt repayments.

The Company intends to meet its short-term liquidity requirements through net cash flows provided by operating activities and its unsecured line of credit. The Company considers its ability to generate cash to be adequate to meet all operating requirements and make distributions to its stockholders in accordance with the provisions of the Internal Revenue Code, as amended, applicable to REITs.

As of June 30, 2005, the Company had an unsecured line of credit from M & T Bank of $115 million. The Company's outstanding balance as of June 30, 2005, was $78 million. Borrowings under the line of credit bear interest at 1.05% over the one-month LIBOR rate. Accordingly, increases in interest rates will increase the Company's interest expense and as a result will affect the Company's results of operations and financial condition. The Company is evaluating alternatives to replace the line of credit as the existing agreement expires on September 1, 2005. The new agreement is expected to reflect a combination of less restrictive covenants as well as a reduced spread in pricing.

On November 23, 2004, the Company signed a supplemental demand note with M&T Bank. The note has a maximum principal amount of $42 million. Borrowings on the note bear interest at 1.25% over the one-month LIBOR rate. The demand note was entered into to fund the Company's stock repurchase program. There was no balance outstanding as of June 30, 2005 on the supplemental demand note.

To the extent that the Company does not satisfy its long-term liquidity requirements through net cash flows provided by operating activities and its credit facility, it intends to satisfy such requirements through additional long term secured or unsecured indebtedness, proceeds from the sale of properties, the issuance of UPREIT Units, proceeds from the Dividend Reinvestment Plan ("DRIP"), or the issuance of additional equity securities. As of June 30, 2005, the Company owned 22 properties with 4,239 apartment units, which were unencumbered by debt.

In May 1998, the Company's Form S-3 Registration Statement was declared effective relating to the issuance of up to $400 million of common stock, preferred stock or other securities. The available balance on the shelf registration statement at June 30, 2005 was $144.4 million.

In June 2000, the Company issued $25 million of Series D Preferred Stock in a private transaction with The Equitable Life Assurance Society of the United States. The Series D Preferred Stock carried an annual dividend rate equal to the greater of 8.775% or the actual dividend paid on the Company's common shares into which the preferred shares can be converted. The stock had a conversion price of $30 per share and a five-year, non-call provision. On May 26, 2005, 250,000 shares of Series D Preferred Stock were converted into 833,333 shares of common stock. The conversion of preferred shares to common shares did not have an effect on the reported results of operations.

In March 2002, the Company issued 2,400,000 shares of its 9.00% Series F Cumulative Redeemable Preferred Stock ("Series F Preferred Shares"), with a $25.00 liquidation preference per share. This offering generated net proceeds of approximately $58 million. The net proceeds were used to fund the Series B preferred stock repurchase, property acquisitions, and property upgrades. The Series F Preferred Shares are redeemable by the Company at anytime on or after March 25, 2007 at a redemption price of $25.00 per share, plus any accumulated, accrued and unpaid dividends. Each Series F Preferred share will receive an annual dividend equal to 9.00% of the liquidation preference per share (equivalent to a fixed annual amount of $2.25 per share).

The issuance of UPREIT Units for property acquisitions continues to be a source of capital for the Company. During the first six months of 2005, the Company acquired three communities with 550 units for a total purchase price of $40.2 million. The Company issued UPREIT Units valued at approximately $12.6 million as part of the consideration for two of the properties, with the balance funded by the assumption of debt and cash. During 2004, the Company acquired ten communities with 2,486 units for a total purchase price of $247.5 million. The Company issued UPREIT Units valued at approximately $12.1 million as part of the consideration for two of the properties, with the balance funded by the assumption of debt and cash.

During 2004, $17.6 million of common stock (net of $6 million share repurchase) was issued under the Company's DRIP. During the first six months of 2005, the Company's additional capital raised under the DRIP netted to zero.

The DRIP was amended, effective December 10, 2004, in order to reduce management's perceived dilution from issuing new shares at or below the underlying net asset value. The discount on reinvested dividends and optional cash purchases was reduced from 2% to 0%. The maximum monthly investment (without receiving approval from the Company) is currently $1 thousand. As expected, these changes significantly reduced participation in the plan. Management will continue to monitor the relationship between the Company's stock price and estimated net asset value. In addition, in the fourth quarter of 2004, the Company began meeting share demand in the program through share repurchase by the transfer agent in the open market on the Company's behalf instead of new share issuance. This removes essentially 100% of the dilution caused by issuing new shares at a price less than the net asset value in an economic and efficient manner.

On February 16, 2005, the Board of Directors increased its authorization by 2,000,000 shares to repurchase its common stock or UPREIT Units in connection with the Company's stock repurchase program. The shares/units may be repurchased through open market or privately negotiated transactions at the discretion of Company management. The Board's action does not establish a target stock price or a specific timetable for share repurchase. During the six months ended June 30, 2005, 1,300,700 shares were repurchased by the Company, with all that activity occurring in the first quarter. At June 30, 2005 the Company had authorization to repurchase 2,699,300 shares of common stock and UPREIT Units under the stock repurchase program. During 2005, the Company will monitor stock prices, the published net asset value, and acquisition alternatives to determine the current best use of capital between the two major uses of capital – stock buyback and acquisitions.

As of June 30, 2005, the weighted average rate of interest on mortgage debt is 5.8% and the weighted average maturity is approximately eight years. Approximately 88% of the debt is fixed rate. This limits the exposure to changes in interest rates, minimizing the effect on results of operations and financial condition.

Variable Interest Entities

Effective March 31, 2004, the Company adopted FASB Interpretation No. 46R – Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 – Consolidated Financial Statements. The interpretation addresses consolidation by businesses of special purpose entities (variable interest entities, "VIE"). The Company had made a determination that all 41 of the remaining limited partnerships as of that date were Variable Interest Entities.

The Company determined that it was not the primary beneficiary in seven partnerships syndicated under U.S. Department of Housing and Urban Development subsidy programs of which all have been sold as of June 30, 2005. The Company purchased the general partnership interests in these partnerships in January, 1996. These partnerships were set up to provide low income housing to residents through subsidized rents and below market debt governed by HUD. The Company as general partner and managing agent managed the day-to-day operations of the partnership for a fee (5% of rents collected). The Company's economic benefit from these partnerships was the management fee. There is no exposure to the Company of loss as a result of its involvement with these partnerships. No management fees were recognized on these partnerships during the three- and six-month periods ended June 30, 2005. The management fees earned on these partnerships were $35 and $73 for the three- and six-month periods ended June 30, 2004. The assets and liabilities of the seven partnerships totaled $8.5 million and $14.1 million at June 30, 2004, respectively.

The Company had further determined that it was the primary beneficiary in 34 of the VIEs and therefore consolidated these entities effective March 31, 2004. Beginning with the second quarter of 2004, the Company consolidated the results of operations of the VIEs. The results of operations of the remaining three of the original 34 VIEs for the three-month period ending June 30, 2005 are included in discontinued operations as all of the VIEs are held for sale as described below.

The Company was the general partner in these 34 VIEs syndicated using low income housing tax credits under Section 42 of the Internal Revenue Code. As general partner, the Company manages the day-to-day operations of these partnerships for a management fee. In addition, the Company has certain operating deficit guarantees and tax credit guarantees to its limited partners. The Company is responsible to fund operating deficits to the extent there are any and can receive operating incentive awards when cash flow reach certain levels. The effect on the consolidated balance sheet as of June 30, 2005 is an increase in Total assets of $45.1 million, an increase in Total liabilities of $48.3 million, an increase in Minority interest of $1.7 million, and a decrease in Stockholders' equity of $4.9 million. In connection with the adoption of FIN 46R, the Company recorded a $321 charge, net of minority interest, for a cumulative effect of a change in accounting principle during the first quarter of 2004. This charge was a result of the negative capital accounts of minority interest partners that were absorbed by the Company. Of the $48.3 million increase in total liabilities, $46.4 million represent non-recourse mortgage debt.

Effective June 30, 2005, the Company has closed on the sale of all but three of the 41 VIEs. In addition, the Company is under contract or letter of intent for the sale of one of the remaining three VIEs. Based on the offer received on one of these three VIEs, the Company had recorded an impairment charge of $400 for the three month period ended March 31, 2005. The remaining two VIEs are being disposed of through a default on the non-recourse financing. The Company repurchased the limited partner's interests in satisfaction of any tax credit guarantees or other obligations to that partner in January, 2005 for $5.7 million. The Company performed a valuation analysis on the underlying real estate, and as a result, recorded a $7.3 million impairment of real estate during the first quarter of 2005 to adjust the net book value of the property to the Company's estimate of fair market value. The mortgage note was sold in March, 2005. The Company is currently planning on transferring title of the property to either the new mortgage holder, another interested buyer, or walking away from the property. A transfer or abandonment is expected to occur in the third quarter ending September 30, 2005.

During the first quarter of 2004, the Company recorded an impairment charge of $1.6 million to reduce the value of the assets associated with the VIEs to management's estimate of fair market value. The impairment charge is classified in the financial statements as "Impairment of assets held as general partner" of $1,116 and "Equity in earnings (losses) of unconsolidated affiliates" of $484. A portion of the total $1,116 charge, or $171, represents monies loaned to certain affordable properties during the first quarter of 2004 to fund operating shortfalls, which were not anticipated to be recovered from projected sale proceeds. The remaining balance of $945 pertains to an additional net impairment charge taken to reduce the assets to estimated fair market value. Of the total impairment charge recorded of $1.6 million for the three-month period ended March 31, 2004, $655 relates to cash advances to fund operating shortfalls.

The Company, through its general partnership interest in an affordable property limited partnership, has guaranteed the low income housing tax credits to the limited partners for a period of ten years totaling approximately $3 million. Such guarantee requires the Company to operate the property in compliance with Internal Revenue Code Section 42 for 15 years. In addition, acting as the general partner in this one partnership, the Company is obligated to advance funds to meet partnership operating deficits.

The Company believes the property's operations conform to the applicable requirements as set forth above. In addition, the Company has required the buyer of its general partner interests in the limited partnerships to secure releases of the Company's guarantees from the limited partners.

As indicated above, the Company is working towards a complete disposition of its general partner interests in affordable properties. The following table summarizes the effect of the consolidation requirements of FIN 46R on the balance sheet as of June 30, 2005.

Consolidation Summary of the Balance Sheet as of June 30, 2005
(in thousands)

	June 30, 2005 (before FIN 46R)	Effect of FIN 46R Consolidation	June 30, 2005 (as reported)
ASSETS			
Real estate:			
Land	$ 408,231	$ -	$ 408,231
Construction in progress	4,687	-	4,687
Buildings, improvements and equipment	2,717,544	-	2,717,544
Real estate held for sale or disposal, net	-	41,072	41,072
	3,130,462	41,072	3,171,534
Less: accumulated depreciation	(454,179)	-	(454,179)
Real estate, net	2,676,283	41,072	2,717,355
Cash and cash equivalents	9,713	360	10,073
Cash in escrows	41,502	806	42,308
Accounts receivable	4,294	91	4,385
Prepaid expenses	13,203	462	13,665
Investment in and advances to affiliates	356	(356)	-
Deferred charges	10,420	2,666	13,086
Other assets	9,559	-	9,559
Total assets	$2,765,330	$ 45,101	$2,810,431
LIABILITIES AND STOCKHOLDERS' EQUITY			
Mortgage notes payable	$1,670,180	$ 46,415	$1,716,595
Line of credit	78,000	-	78,000
Accounts payable	14,449	1,039	15,488
Accrued interest payable	7,856	89	7,945
Accrued expenses and other liabilities	22,292	457	22,749
Security deposits	23,102	263	23,365
Total liabilities	1,815,879	48,263	1,864,142
Minority interest	290,466	1,742	292,208
Stockholders' equity	658,985	(4,904)	654,081
Total liabilities and stockholders' equity	$2,765,330	$45,101	$2,810,431

Acquisitions and Dispositions

During the first six months of 2005, the Company acquired three apartment communities in three unrelated transactions. The acquisitions consisted of one apartment community in Maryland with a total of 204 units, and two apartment communities in New Jersey with a combined 346 units. The total purchase price of $40.2 million, including closing costs, equated to an average of $73.2 per apartment. Consideration included $7.9 million of assumed or new debt, $19.7 million in cash or line of credit, and $12.4 million of UPREIT Units (fair market value of $12.6 million). The UPREIT Units are exchangeable for shares of the Company's common stock on a one-for-one basis. For the two acquisitions involving the issuance of OP units, values of $41.25 and $39.25 per unit were used for the purpose of determining the number of OP Units issued in each acquisition. Both values were set when the transactions were negotiated. The combined weighted average expected first year capitalization rate on these acquisitions is 6.5%. Capitalization rate ("cap rate") is defined as the rate of interest used to convert the first year expected net operating income ("NOI") less a 3.0% management fee into a single present value. NOI is defined by the Company as rental income and property other income less operating and maintenance expenses. Management generally considers NOI to be an appropriate measure of operating performance because it helps investors to understand the operations of a community. In addition, the apartment communities are valued and sold in the market by using a multiple of NOI.

Contractual Obligations and Other Commitments

The primary obligations of the Company relate to its borrowings under the line of credit and mortgage notes payable. The Company's line of credit matures in September 2005, and had $78 million outstanding at June 30, 2005. No balance was outstanding at June 30, 2005 on the Company's supplemental demand note. The $1.7 billion in mortgage notes payable have varying maturities ranging from 1 to 37 years. The weighted average interest rate of the Company's fixed rate notes was 6.00% and 6.23% at June 30, 2005 and December 31, 2004, respectively. The weighted average interest rate of the Company's variable rate notes and credit facility was 4.1% and 2.98% at June 30, 2005 and December 31, 2004, respectively.

The Company has a non-cancelable operating ground lease for one of its properties. The lease expires May 1, 2020, with options to extend the term of the lease for two successive terms of twenty-five years each. The lease provides for contingent rental payments based on certain variable factors. At June 30, 2005, future minimum rental payments required under the lease are $70 per year until the lease expires.

The Company leases its corporate office space from an entity affiliated with Nelson and Norman Leenhouts, and the office space for its regional offices from third parties. The corporate office space requires an annual base rent plus a pro-rata portion of property improvements, real estate taxes, and common area maintenance. The regional office leases require an annual base rent plus a pro-rata portion of real estate taxes.

On December 1, 2004, the Company entered into a lease agreement with a third party owner to manage the operations of one of their communities. The lease has a term of five years, but after two years, (from the 24th month to the 36th month) the owner may require us to buy the property. From the 36th month to the end of the lease term, the Company has the right to require the owner to sell the property to the Company. It is the Company's expectation that closing on the acquisition of the property will occur no later than 36 months after the commencement of the lease. The estimated future acquisition cost is $140 million.

As discussed in the section entitled "Variable Interest Entities," the Company, through its general partnership interest in an affordable property limited partnership, has guaranteed the Low Income Housing Tax Credits to limited partners totaling approximately $3 million. With respect to the guarantee of the low income housing tax credits, the Company believes the property's operations conform to the applicable requirements (as set forth above in the seventh paragraph of the "Variable Interest Entities" section) and does not anticipate any payment on the guarantees. In addition, the Company, acting as general partner in this partnership, is obligated to advance funds to meet partnership operating deficits. The Company has required the buyers of its general partner interests in the limited partnerships to secure releases of the Company's guarantees from the limited partner and/or to indemnify the Company against payment on those guarantees.

Capital Improvements

The Company's policy is to capitalize costs related to the acquisition, development, rehabilitation, construction and improvement of properties. Capital improvements are costs that increase the value and extend the useful life of an asset. Ordinary repair and maintenance costs that do not extend the useful life of the asset are expensed as incurred. Costs incurred on a lease turnover due to normal wear and tear by the resident are expensed on the turn. Recurring capital improvements typically include: appliances, carpeting and flooring, HVAC equipment, kitchen/ bath cabinets, new roofs, site improvements and various exterior building improvements. Non- recurring, revenue generating capital improvements include, among other items: community centers, new windows, and kitchen/ bath apartment upgrades. Revenue generating capital improvements will directly result in rental earnings or expense savings. The Company capitalizes interest and certain internal personnel costs related to the communities under rehabilitation and construction.

The Company estimates that on an annual basis $525 per unit is spent on recurring capital expenditures. During the three-and six-month period ended June 30, 2005 approximately $131 and $263 per unit was estimated to be spent on recurring capital expenditures. The table below summarizes the actual total capital improvements, (excludes assets held for sale) incurred by major categories for the three-and six-month periods ended June 30, 2005 and 2004 and an estimate of the breakdown of total capital improvements by major categories between recurring and non-recurring, revenue generating capital improvements for the three-and six-month period ended June 30, 2005 as follows:

For the three-month period ended June 30,
(in thousands, except per unit data)

	2005						2004	
	Recurring Cap Ex	Per Unit[(a)]	Non-Recurring Cap Ex	Per Unit[(a)]	Total Capital Improvements	Per Unit[(a)]	Total Capital Improvements	Per Unit[(a)]
New Buildings	$ -	$ -	$ 983	$ 23	$ 983	$ 23	$ 665	$ 16
Major building improvements	965	23	4,056	96	5,021	119	5,310	131
Roof replacements	368	9	617	14	985	23	921	23
Site improvements	352	8	1,880	45	2,232	53	2,858	70
Apartment upgrades	695	16	4,418	105	5,113	121	6,520	161
Appliances	594	14	439	10	1,033	24	987	24
Carpeting/Flooring	1,812	43	820	19	2,632	62	2,283	56
HVAC/Mechanicals	534	12	2,816	67	3,350	79	3,354	83
Miscellaneous	237	6	730	17	967	23	859	21
Totals	$5,557	$131	$16,759	$396	$22,316	$527	$23,757	$585

(a) Calculated using the weighted average number of units outstanding, including 39,284 core units, 2004 acquisition units of 2,486 and 2005 acquisition units of 550 for the three-month period ended June 30, 2005 and 39,284 core units and 2004 acquisition units of 1,278 for the three-month period ended June 30, 2004.

For the six-month period ended June 30,
(in thousands, except per unit data)

	2005						2004	
	Recurring Cap Ex	Per Unit[(a)]	Non-Recurring Cap Ex	Per Unit[(a)]	Total Capital Improvements	Per Unit[(a)]	Total Capital Improvements	Per Unit[(a)]
New Buildings	$ -	$ -	$ 2,313	$ 55	$ 2,313	$ 55	$ 1,218	$ 30
Major building improvements	1,924	46	5,371	127	7,295	173	8,706	217
Roof replacements	734	17	1,222	29	1,956	46	1,352	34
Site improvements	703	17	2,219	53	2,922	70	3,962	99
Apartment upgrades	1,385	33	8,453	200	9,838	233	12,854	320
Appliances	1,185	28	736	17	1,921	45	1,923	48
Carpeting/Flooring	3,613	86	1,224	29	4,837	115	4,517	112
HVAC/Mechanicals	1,064	25	4,864	115	5,928	140	6,148	153
Miscellaneous	472	11	1,416	34	1,888	45	1,853	46
Totals	$11,080	$263	$27,818	$659	$38,898	$922	$42,533	$1,059

(a) Calculated using the weighted average number of units outstanding, including 39,284 core units, 2004 acquisition units of 2,486 and 2005 acquisition units of 422 for the six-month period ended June 30, 2005 and 39,284 core units and 2004 acquisition units of 899 for the six-month period ended June 30, 2004.

The schedule below summarizes the breakdown of total capital improvements (excludes assets held for sale) between core and non-core as follows:

For the three-month period ended June 30,
(in thousands, except per unit data)

	2005						2004	
	Recurring Cap Ex	Per Unit	Non-Recurring Cap Ex	Per Unit	Total Capital Improvements	Per Unit	Total Capital Improvements	Per Unit
Core Communities	$5,158	$131	$15,752	$401	$20,910	$532	$23,010	$586
2005 Acquisition Communities	72	131	222	404	294	535	-	-
2004 Acquisition Communities	327	131	785	316	1,112	447	748	585
Sub-total	5,557	131	16,759	396	22,316	527	23,758	586
2004 Disposed Communities	-	-	-	-	-	-	838	526
Corporate office expenditures[1]	-	-	-	-	1,694	-	1,691	-
	$5,557	$131	$16,759	$396	$24,010	$527	$26,287	$583

For the six-month period ended June 30,
(in thousands, except per unit data)

	2005						2004	
	Recurring Cap Ex	Per Unit	Non-Recurring Cap Ex	Per Unit	Total Capital Improvements	Per Unit	Total Capital Improvements	Per Unit
Core Communities	$10,317	$263	$25,990	$662	$36,307	$925	$41,664	$1,061
2005 Acquisition Communities	111	263	224	532	335	795	-	-
2004 Acquisition Communities	652	263	1,604	645	2,256	908	868	966
Sub-total	11,080	263	27,818	659	38,898	922	42,532	1,058
2004 Disposed Communities	-	-	-	-	-	-	1,330	821
Corporate office expenditures[1]	-	-	-	-	3,328	-	2,271	-
	$11,080	$263	$27,818	$659	$42,226	$922	$46,133	$1,049

(1) No distinction is made between recurring and non-recurring expenditures for corporate office.

Results of Operations

Summary of Core Properties

The Company had 139 apartment communities with 39,284 units which were owned during the six-month period being presented (the "Core Properties"). The Company has acquired an additional thirteen apartment communities with 3,036 units during 2005 and 2004 (the "Acquired Communities"). The Company also disposed of five properties with a total of 1,646 units during 2004 (the “Disposition Communities”). The Disposition Communities have been classified as discontinued operations. Finally, beginning with the second quarter of 2004, the results of operations for the both the three- and six-month periods ending June 30, 2004, include the results of operations of four affordable limited partnerships (“Affordable LPs”) that have been consolidated in accordance with FIN 46R for the first time. The Affordable LPs also have been classified as discontinued operations. The inclusion of the Acquired Communities generally accounted for the significant changes in operating results for the three-and six-months ended June 30, 2005.

A summary of the net operating income from Core Properties is as follows (in thousands):

	Six Months				Three Months			
	2005	2004	$ Change	% Change	2005	2004	$ Change	% Chg
Rental income	$210,914	$208,096	$2,818	1.4%	$106,156	$104,655	$1,501	1.4%
Property other income	10,698	9,686	1,012	10.4%	5,753	5,163	590	11.4%
Total income	221,612	217,782	3,830	1.8%	111,909	109,818	2,091	1.9%
Operating and Maintenance	(103,265)	(100,035)	(3,230)	(3.2%)	(49,607)	(47,590)	(2,017)	(4.2%)
Net operating income	$118,347	$117,747	$ 600	0.5%	$ 62,302	$ 62,228	$ 74	0.1%

A summary of the net operating income from continuing operations is as follows (in thousands):

	Six Months				Three Months			
	2005	2004	$ Change	% Change	2005	2004	$ Change	% Chg
Rental income	$227,990	$213,585	$14,405	6.7%	$115,032	$108,524	$6,508	6.0%
Property other income	11,265	9,877	1,388	14.1%	6,092	5,284	808	15.3%
Total income	239,255	223,462	15,793	7.1%	121,124	113,808	7,316	6.4%
Operating and Maintenance	(111,134)	(102,377)	(8,757)	(8.6%)	(53,623)	(49,267)	(4,356)	(8.8%)
Net operating income	$128,121	$121,085	$7,036	5.8%	$67,501	$64,541	$2,960	4.6%

Comparison of six-months ended June 30, 2005 to the same period in 2004

Of the $14,405 increase in rental income, $11,587 is attributable to the Acquired Communities. The balance of this increase, or $2,818 which is from the Core Properties, was the result of an increase of 2.4% in weighted average rental rates, offset with a decrease in occupancy from 93.7% to 92.7%. Occupancy is defined as total possible rental income, net of vacancy and bad debt expense as a percentage of total possible rental income. Total possible rental income is determined by valuing occupied units at contract rates and vacant units at market rents.

Property other income, which consists primarily of income from operation of laundry facilities, late charges, administrative fees, garage and carport charges, net profits from corporate apartments, cable revenue, pet charges, utility recover charges, and miscellaneous charges to residents increased by $1,388. Of this increase, $377 is attributable to the Acquired Communities and $1,012 represents a 10.4% increase from the Core Properties.

Other income decreased $136 due primarily to a decrease in the level of management fee activity as a result of the sale of the affordable limited partnerships.

Of the $8,757 increase in operating and maintenance expenses, $5,527 is attributable to the Acquired Communities. The balance, a $3,230 increase, is attributable to the Core Properties and is primarily due to increases in natural gas heating costs, personnel costs, and real estate taxes. These increases were offset in part by savings in repairs and maintenance and insurance expenses. Natural gas heating costs were up $1,626 or 14% over 2004. We have seen significant increases in the cost of natural gas per decatherm. Last year we had contracts at $5.13 per decatherm, this year the cost is $6.52. Personnel expenses were up $1,726, or 7.7%. Contributing to this was normal operating payroll increases of $988, or 4.8%, an increase in site level incentive compensation of $431, and a vacation accrual of $455 of which approximately $200 represents a catch-up from previous years as we now have the ability to track this in our HR system. Real estate taxes were up $1,508, or 7.0%. Of this, $204, or 1.0% is from a prepaid tax adjustment needed to bring our balance sheet to the proper amount. The balance is a 6.0% increase in normal increases in assessed values and tax rates. The decrease in repairs and maintenance was $1,029 or 6.9% compared to a year ago. The six month period in 2004 included $805 from the NYS sales tax audit. Property insurance decreased for the period primarily due to a decrease in our property and general liability premiums, and losses to date which have been projected using actuarial assumptions.

General and administrative expense decreased in 2005 by $68, or 0.7%. General and administrative expenses as a percentage of total revenues (including revenue from discontinued operations) were 4.0% for 2005 as compared to 4.1% for 2004. The decrease is the result of a reduction in the level of corporate incentive compensation bonus accrued in 2005, mostly offset by increased expenses relating to the completion of the 404 compliance and audit work completed in the first quarter of 2005.

Interest expense increased in 2005 by $6,517 as a result of the increased borrowings in connection with acquisition of the 2005 Acquisition Communities, a full quarter of interest expense for the 2004 Acquisition Communities and additional mortgage debt and refinanced mortgage debt incurred during 2004. Interest expense was reduced in the second quarter of 2005 by $393 while interest expense in the first quarter of 2004 was reduced by $996 when two mortgage loans were paid off early at amounts less than the amounts carried on the Company's balance sheet. Finally, $233 in interest relative to the sales tax liability recorded and described above is included in 2004.

Depreciation and amortization expense increased $5,559 due to the depreciation on the Acquisition Communities and the capital additions to the Core Properties.

The Company has sold virtually all of the assets associated with its general partner interests in the affordable properties in order to focus solely on the direct ownership and management of market rate apartment communities. The assets included principally loans, advances and management contracts. During the first six months of 2004, the Company recorded impairment charges of $1,116. Of this total, $171 represents advances made to certain of the Affordable LPs, which the Company believes will not be repaid upon the sale of the loans. The remaining $945 pertains to an additional net impairment charge taken on Phase III to reduce the assets to fair market value. In connection with FIN 46R, the Company was required to consolidate the majority of the Affordable LPs results of operations beginning April 1, 2004. The results of operations of the Affordable LPs is included in discontinued operations for both the six-month periods ended June 30, 2005 and 2004.

The equity in earnings (losses) of unconsolidated affiliates was a loss of $563 for the six months ended June 30, 2004 is primarily the result of the general partner recording a greater share of the underlying investment's losses due to the loans and advances to certain of the affordable property limited partnerships where the limited partner has no capital account. This is pursuant to the accounting requirements of EITF 99-10, "Percentage Used to Determine the Amount of Equity Method Losses." Included and classified in this account were $484 of advances made during the first three months of 2004 which the Company believes will not be repaid upon sale.

Minority interest decreased $963 due to a general decrease in income from operations.

Included in discontinued operations for the six-month period ended June 30, 2005, are the results of operations of the Affordable LPs that in connection with FIN 46R were required to be consolidated beginning April 1, 2004. As all significant contingencies surrounding the sale of the Affordable LPs have been resolved the Company has considered these assets held for sale and has reported them in discontinued operations (see further detail supplied under "Variable Interest Entities" section).

During the six months ended June 30, 2005, the Company reported a combined $77 loss, net of minority interest, relating to additional expenses incurred in the same period for sales which took place during 2004. These costs represent a change in estimate from those accrued at the time of sale. Included in the $511 net gain on disposition of property reported for the six months of 2004 is the sale of an apartment community in Rochester, NY, where the Company recorded a gain on sale in the second quarter, net of minority interest, of approximately $557.

In connection with the adoption of FIN 46R, the Company recorded a $321 cumulative effect charge of a change in accounting principle in the first quarter of 2004. This charge was the result of negative capital accounts of minority interest partners that were absorbed by the Company.

Comparison of the three-months ended June 30, 2005 to the same period in 2004

Of the $6,508 increase in rental income, $5,007 is attributable to the Acquired Communities. The balance of this increase, or $1,501 which is from the Core Properties, was the result of an increase of 2.1% in weighted average rental rates, offset by a decrease in occupancy from 93.8% to 93.2%. Occupancy is defined as total possible rental income, net of vacancy and bad debt expense as a percentage of total possible rental income. Total possible rental income is determined by valuing occupied units at contract rates and vacant units at market rents.

Property other income, which consists primarily of income from operation of laundry facilities, late charges, administrative fees, garage and carport charges, net profits from corporate apartments, cable revenue, pet charges, utility recovery charges, and miscellaneous charges to residents increased by $808. Of this increase, $218 is attributable to the Acquired Communities and $590 represents an 11.4% increase from the Core Properties.

Other income decreased $259 due primarily to a decrease in the level of management fee activity as a result of the sale of the affordable limited partnerships.

Of the $4,356 increase in operating and maintenance expenses, $2,339 is attributable to the Acquired Communities. The balance, a $2,017 increase, is attributable to the Core Properties and is primarily due to increases in natural gas heating costs, personnel costs, and real estate taxes. These increases were offset in part by a reduction in repairs and maintenance and property insurance. Natural gas utility costs were up $1,003, or 33.1% due to significant increases in the cost of natural gas per decatherm as compared to a year ago. Personnel expenses increased $881, with $448 resulting from increased site level incentive compensation reflecting improving rent and occupancies compared to a year ago. The 5.7% variance in real estate taxes results from normal increases in assessed values and tax rates. The decrease of $638 in repairs and maintenance primarily results from $493 in sales tax recorded in 2004 not repeated in 2005. Property insurance decreased for the period primarily due to a decrease in our property and general liability premiums, and losses to date which have been projected using actuarial assumptions.

General and administrative expense decreased in 2005 by $748, or 15.3%. General and administrative expenses as a percentage of total revenues were 3.4% for 2005 as compared to 4.1% for 2004. A significant component of the reduction is from the level of corporate incentive compensation bonus accrued in 2005 compared to a year ago.

Interest expense increased in 2005 by $2,499 as a result of the increased borrowings in connection with a full quarter of interest expense for the 2004 Acquisition Communities and additional mortgage debt and refinanced mortgage debt which took place during 2004. Interest expense was reduced in the second quarter of 2005 by $393 when one mortgage loan was paid off early at an amount less than the amount carried on the Company’s balance sheet.

Depreciation and amortization expense increased $2,413 due to the depreciation on the Acquisition Communities and the capital additions to the Core Properties.

The equity in earnings (losses) of unconsolidated affiliates for the three months ended June 30, 2004 of $25 is primarily the result of the general partner recording a greater share of the underlying investment's losses due to the loans and advances to certain of the affordable property limited partnerships where the limited partner has no capital account. This is pursuant to the accounting requirements of EITF 99-10, "Percentage Used to Determine the Amount of Equity Method Losses." Included and classified in this account are $25 of advances made in the second quarter of 2004 to one of the remaining unconsolidated affordable partnerships. In connection with FIN 46R, the Company was required to consolidate the majority of the affordable limited partnerships results of operations beginning April 1, 2004.

Minority interest decreased $272 due to a general decrease in income from operations.

Included in discontinued operations for the three-month period ended June 30, 2005 are the results of operations of the Affordable LPs that, in connection with FIN 46R, were required to be consolidated beginning April 1, 2004. As all significant contingencies surrounding the sale of the affordable properties have been resolved the Company has considered these assets held for sale and have reported them in discontinued operations.

During the three months ended June 30, 2005, the Company reported a combined $77 loss, net of minority interest, relating to additional expenses incurred in the same quarter for sales which took place during 2004. These costs represent a change in estimate from those accrued at the time of sale. Included in the $524 net gain on disposition of property reported for the six months of 2004 is the sale of an apartment community in Rochester, NY, where the Company recorded a gain on sale in the second quarter, net of minority interest, of approximately $557.

Funds From Operations

Pursuant to the revised definition of Funds From Operations (“FFO”) adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"), FFO is defined as net income (computed in accordance with accounting principles generally accepted in the United States of America ("GAAP")) excluding gains or losses from sales of property, minority interest, extraordinary items and cumulative effect of change in accounting principle plus depreciation from real property including adjustments for unconsolidated partnerships and joint ventures less dividends from non-convertible preferred shares. NAREIT has recently changed guidance on the interpretation of impairment charges recorded against the value of real estate. The previous interpretation was that impairment charges in real estate would be an add back to arrive at FFO, similar to a loss on sale of real estate. The Company is following this new interpretation effective April 1, 2004 on a go-forward basis. The change is not suggested to be retroactive to any prior period reported. Because of the limitations of the FFO definition as published by NAREIT as set forth above, the Company has made certain interpretations in applying the definition. The Company believes all adjustments not specifically provided for are consistent with the definition.

Management believes that in order to facilitate a clear understanding of the combined historical operating results of the Company, FFO should be considered in conjunction with net income as presented in the consolidated financial statements included elsewhere herein. Management believes that by excluding gains or losses related to dispositions of property and excluding real estate depreciation (which can vary among owners of similar assets in similar condition based on historical cost accounting and useful life estimates), FFO can help one compare the operating performance of a company's real estate between periods or as compared to different companies. FFO does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs. FFO does not include the cost incurred for capital improvements (including capitalized interest) reflected as an increase to real estate assets. The total capital improvements include an annual reserve for anticipated recurring, non-revenue generating capitalized costs of $525 per apartment unit. Please refer to the Capital Improvement section above in MD&A. Cash provided by operating activities was $64,004 and $85,160 for the six-month period ended and $42,914 and $47,801 for the three-month period ended June 30, 2005 and 2004, respectively. Cash used in investing activities was $61,787 and $104,807 for the six-month period ended and $24,019 and $19,866 for the three-month period ended June 30, 2005 and 2004, respectively. Cash provided by (used in) financing activities was ($69) and $20,382 for the six-month period ended and ($18,717) and ($28,351) for the three-month period ended June 30, 2005 and 2004, respectively. FFO should not be considered as an alternative to net income as an indication of the Company's performance or to cash flow as a measure of liquidity.

The calculation of FFO and reconciliation to GAAP net income available to common Shareholders for the six-and three-months ended June 30, 2005 and 2004 are presented below (in thousands):

	Six Months		Three Months	
	2005	2004	2005	2004
Net income available to common shareholders	$ 6,168	$13,322	$ 8,038	$ 8,742
Convertible preferred dividends	879	1,097	330	549
Minority interest	5,749	6,712	4,151	4,423
Minority interest – income (loss) from discontinued operations	(2,635)	(284)	(114)	(463)
Depreciation and amortization from real property	47,528	43,282	23,925	22,131
Depreciation from real property from unconsolidated entities	-	1,615	-	1,072
Impairment on General Partner real estate investment	-	945	-	-
Loss on disposition of property	-	50	-	-
(Gain) loss on disposition of discontinued operations, net of minority interest	77	(511)	77	(524)
Cumulative effect of change in accounting principle, net of minority interest	-	321	-	-
FFO as defined above	$57,766	$66,549	$36,407	$35,930
Weighted average common shares/units outstanding[(1)]:				
- Basic	47,598.2	48,531.1	47,684.2	48,718.7
- Diluted	48,018.9	49,851.7	48,623.5	49,993.1

(1) The calculation assumes the conversion of dilutive common stock equivalents including convertible preferred stock and the conversion of all UPREIT units to common shares.

All REITs may not be using the same definition for FFO. Accordingly, the above presentation may not be comparable to other similarly titled measures of FFO of other REITs.

Covenants

Series F Preferred Stock

In connection with the issuance of the Series F Preferred Stock, the Company is required to maintain for each fiscal quarterly period a fixed charge coverage ratio, as defined in the Series F Cumulative Redeemable Preferred Stock Article Supplementary, of at least 1.75 to 1.0. The fixed charge coverage ratio and the components thereof do not represent a measure of cash generated from operating activities in accordance with generally accepted accounting principles and are not necessarily indicative of cash available to fund cash needs. Further, this ratio should not be considered as an alternative measure to net income as an indication of the Company's performance or of cash flow as a measure of liquidity. The Company has been in compliance with the covenant since the Series F Preferred Stock was issued. If the Company fails to be in compliance with this covenant for six or more consecutive fiscal quarters, the holders of the Series F Preferred Stock would be entitled to elect two directors to the board of directors of the Company. The calculation of the fixed charge coverage ratio for the four most recent quarters since the issuance of the Series F Preferred Stock is presented below (in thousands). Net operating income from discontinued operations in the calculation below is defined as total revenues from discontinued operations less operating and maintenance expenses.

Calculation Presented for Series F Covenants
Three-months ended

	June 30, 2005	Mar.31, 2005	Dec. 31, 2004	Sept. 30, 2004
EBITDA				
Total revenues	$121,636	$118,787	$118,357	$118,942
Net operating income (loss) from discontinued operations	(343)	142	2,143	1,364
Operating and maintenance	(53,623)	(57,511)	(52,227)	(50,372)
General and administrative	(4,144)	(5,405)	(9,482)	(4,879)
Equity in earnings (losses) of unconsolidated affiliates	-	-	-	25
	$63,526	$ 56,013	$58,791	$ 65,080
Fixed Charges				
Interest expense	$25,173	$ 24,943	$23,891	$ 23,496
Interest expense on discontinued operations	279	21	442	40
Preferred dividends	1,681	1,898	1,898	1,898
Capitalized interest	339	191	191	230
	$27,472	$ 27,053	$26,422	$ 25,664
Fixed charge coverage ratio:	2.31	2.07	2.23	2.54

Line of Credit

The Credit Agreement relating to the Company's line of credit provides for the Company to maintain certain financial ratios and measurements. One of these covenants is that the Company may not pay any distribution to its shareholders and holders of its UPREIT Units if a distribution, when added to other distributions paid during the three immediately preceding fiscal quarters, exceeds the greater of : (i) 90% of funds from operations, and 110% of cash available for distribution; and (ii) the amount required to maintain the Company's status as a REIT. During the first and second quarters of 2005, the funds from operations payout ratio was 90.3% and 90.3%, respectively, when measured for the current quarter and the three immediate preceding fiscal quarters. Due to the non-recurring legal settlement of $3.8 million in the fourth quarter of 2004, the Company did not meet the required ratio. Appropriate waivers have been granted by the participating banks. The line of credit has not been used for long-term financing but adds a certain amount of flexibility, especially in meeting the Company's acquisition goals. Many times it is easier to temporarily finance an acquisition in a short-term nature through the line of credit, with long term secured financing or other sources of capital replenishing the line of credit availability.

Economic Conditions

Substantially all of the leases at the Company's apartment communities are for a term of one year or less, which enables the Company to seek increased rents upon renewal of existing leases or commencement of new leases. These short-term leases minimize the potential adverse effect of inflation on rental income, although residents may leave without penalty at the end of their lease terms and may do so if rents are increased significantly.

Historically, real estate has been subject to a wide range of cyclical economic conditions, which affect various real estate sectors and geographic regions with differing intensities and at different times. During the past three years and continuing into 2005 many regions of the United States have experienced varying degrees of economic recession and certain recessionary trends, such as the cost of obtaining sufficient property and liability insurance coverage, short-term interest rates, and a temporary reduction in occupancy. In light of this, we will continue to review our business strategy however, we believe that given our property type and the geographic regions in which we are located, we do not anticipate any changes in our strategy or material effects in financial performance.

Declaration of Dividend

On August 3, 2005, the Board of Directors approved a dividend of $.63 per share for the quarter ended June 30, 2005. This is the equivalent of an annual distribution of $2.52 per share. The dividend is payable August 26, 2005 to shareholders of record on August 15, 2005.

On August 3, 2005 the Company also declared a regular dividend of $0.5625 per share on its Series F Cumulative Redeemable Preferred Stock, for the quarter ending August 31, 2005. The dividend on the preferred shares is payable on August 31, 2005, to shareholders of record on August 15, 2005. This dividend is equivalent to an annualized rate of $2.25 per share.

Contingency

The Company is not a party to any legal proceedings which are expected to have a material adverse effect on the Company's liquidity, financial position or results of operations. The Company is subject to a variety of legal actions for personal injury or property damage arising in the ordinary course of its business, most of which are covered by liability insurance. While the resolution of these matters cannot be predicted with certainty, management believes that the final outcome of such legal proceedings and claims will not have a material adverse effect on the Company's liquidity, financial position or results of operations.

In 2001, the Company underwent a state capital stock tax audit. The state had assessed taxes of $469 for the 1998 and 1999 tax years under audit. If the state's position is applied to all tax years through December 31, 2001, the assessment would be $1.3 million. At the time, the Company believed the assessment and the state's underlying position were not supportable by the law nor consistent with previously provided interpretative guidance from the office of the State Secretary of Revenue. After two subsequent enactments by the state legislation during 2002 affecting the pertinent tax statute, the Company was advised by outside tax counsel that its filing position for 1998-2001 should prevail. During December 2003, the state's governor signed legislation which included the REIT tax provisions. Based upon this, Company's tax counsel expects that the outstanding litigation should now be able to be resolved. Effective January 1, 2003, the Company reorganized the ownership of Home Properties Trust, which should subject the Company to a much lower level of tax going forward. In September 2004, the Company settled the 1998 year under audit for a total of $39, including interest. During the first quarter of 2005, the Company filed a protest with the Pennsylvania State Commonwealth Court concerning the 1999 tax year. No settlement offer has been made or discussed related to the 1999 tax year. The 1999-2001 tax years will take time to resolve, however, the Company's outside counsel still maintains that the Company should not have any additional liability.

During April, 2004, the Company finalized negotiations with New York State settling a sales and use tax audit covering the period June 1, 1999 through May 31, 2002. The total cost to the Company as a result of the audit amounted to $861. This was included in the first quarter 2004 results and allocated $448 to expense and $413 capitalized to real estate assets for improvements.

As a result of this audit, during the second quarter of 2004, the Company examined its sales and use tax compliance in the other states in which the Company operates. Based upon its internal analysis, the Company estimated its liability as of June 30, 2004 in those states where it found non-compliance and recorded at June 30, 2004 a liability of $1,712. This was included in the second quarter results and allocated $761 to expense and $951 capitalized to real estate assets for improvements. The liability recorded relates to the period beginning on the later of: (i) the date the Company first purchased property in the applicable state; or (ii) January 1, 1997 and ending on June 30, 2004. In addition, the Company increased the liability for sales tax exposure by $68 for the six-month period ended December 31, 2004. The Company has filed Voluntary Disclosure Agreements (VDAs) with the four states where it had significant financial exposure. During the first six months of 2005, the Company signed VDAs with these states which have agreed to limit the VDA filing period back to January 1, 2001, and has satisfied all financial obligations under the VDAs. For the three- and six-month periods ended June 30, 2005, the Company has recorded adjustments to the liability for both the effects of signing the VDAs as well as for the results of the Company's additional testing for the first six months. The net impact of these adjustments resulted in a decrease in real estate assets of $175, interest expense of $115 and operating expenses of $108 for a net decrease to the accrued liability of $398. The Company recognizes that the liability recorded of $665 as of June 30, 2005 is an estimate and that the actual tax liability that will be paid in the future may be less than or greater than this estimate.

In connection with the issuance of the Series F Preferred Stock, the Company is required to maintain for each fiscal quarterly period a fixed charge coverage ratio, as defined in the Series F Cumulative Redeemable Preferred Stock Articles Supplementary to the Company's Articles of Incorporation, of at least 1.75 to 1.0. The fixed charge coverage ratio and the components thereof do not represent a measure of cash generated from operating activities in accordance with generally accepted accounting principles and are not necessarily indicative of cash available to fund cash needs. Further, this ratio should not be considered as an alternative measure to net income as an indication of the Company's performance or of cash flow as a measure of liquidity. The Company has been in compliance with the covenant since the Series F Preferred Stock was issued. If the Company fails to be in compliance with this covenant for six or more consecutive fiscal quarters, the holders of the Series F Preferred Stock would be entitled to elect two directors to the board of directors of the Company.

New Accounting Standards

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123R *Share Based Payment* (SFAS No. 123R). The statement is a revision of SFAS No. 123 *Accounting for Stock-Based Compensation.* SFAS No 123R supersedes APB Opinion No. 25 *Accounting for Stock Issued to Employees*, and its related implementation guidance. SFAS No. 123R, requires that entities recognize the cost of employee services received in exchange for awards of equity instruments (i.e. stock options) based on the grant-date fair value of those awards. The Statement is effective for the first fiscal periods beginning after December 15, 2005. On January 1, 2003, the Company adopted the provisions of SFAS No. 148 *Accounting for Stock-Based Compensation – Transition and Disclosure*, an Amendment to SFAS No. 123. Effective on that date, the Company began recognizing compensation cost related to stock option grants. Based upon the Company's adoption of SFAS No. 148, the Company does not expect the issuance of SFAS No. 123R to have a material impact on the Company's results of operations, financial position or liquidity.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company’s primary market risk exposure is interest rate risk. At June 30, 2005 and December 31, 2004, approximately 88% and 89%, respectively, of the Company’s debt bore interest at fixed rates with a weighted average maturity of approximately 8 years and a weighted average interest rate of approximately 6.00% and 6.23%, respectively, including the $31 million and $34 million, respectively, of debt which has been swapped to a fixed rate. The remainder of the Company’s debt bears interest at variable rates with a weighted average maturity of approximately 7 and 8 years, respectively, and a weighted average interest rate of 4.05 % and 2.98%, respectively, at June 30, 2005 and December 31, 2004. The Company does not intend to utilize a significant amount of permanent variable rate debt to acquire properties in the future. On occasion, the Company may use its line of credit in connection with a property acquisition with the intention to refinance at a later date. The Company believes, however, that in no event would increases in interest expense as a result of inflation significantly impact the Company's distributable cash flow.

At June 30, 2005 and December 31, 2004, the interest rate risk on $31 million and $34 million, respectively, of such variable rate debt has been mitigated through the use of interest rate swap agreements (the “Swaps”) with major financial institutions. The Company is exposed to credit risk in the event of non-performance by the counter-parties to the Swaps. The Company believes it mitigates its credit risk by entering into these Swaps with major financial institutions. The Swaps effectively convert the variable rate mortgages to fixed rates of 5.35%, 5.39%, 8.22% and 8.40%.

At June 30, 2005 and December 31, 2004, the fair value of the Company’s fixed rate debt, including the $31 million and $34 million, respectively, which was swapped to a fixed rate, amounted to a liability of $1.69 billion compared to its carrying amount of $1.58 billion. The Company estimates that a 100 basis point increase in market interest rates at June 30, 2005 would have changed the fair value of the Company’s fixed rate debt to a liability of $1.61 billion.

The Company intends to continuously monitor and actively manage interest costs on its variable rate debt portfolio and may enter into swap positions based upon market fluctuations. In addition, the Company believes that it has the ability to obtain funds through additional equity offerings and/or the issuance of UPREIT Units. Accordingly, the cost of obtaining such interest rate protection agreements in relation to the Company's access to capital markets will continue to be evaluated. The Company has not, and does not plan to, enter into any derivative financial instruments for trading or speculative purposes. As of June 30, 2005, the Company had no other material exposure to market risk.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports filed or submitted by the Company under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the officers who certify the Company's financial reports and to the other members of senior management and the Board of Directors.

The principal executive officer and principal financial officer evaluated, as of June 30, 2005, the effectiveness of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15-d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and have determined that such disclosure controls and procedures are effective.

There have been no changes in the internal controls over financial reporting identified in connection with that evaluation, or that occurred during the second quarter of the year ended December 31, 2005 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company has not identified any material weaknesses in its internal controls.

PART II - OTHER INFORMATION

HOME PROPERTIES, INC.

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

In 1997, the Company's Board of Directors approved a stock repurchase program under which the Company may repurchase shares of its outstanding common stock and UPREIT Units. The shares/units may be repurchased through open market or privately negotiated transactions at the discretion of Company management. The Board's action does not establish a specific target stock price or a specific timetable for share repurchase. Recently, the Company’s Board of Directors removed certain price restrictions, which substantially enhances the Company’s ability to repurchase shares. At December 31, 2004, the Company had authorization to repurchase 2,000,000 shares of common stock and UPREIT Units under the stock repurchase program. On February 16, 2005, the Board of Directors approved a 2,000,000 share increase in the stock repurchase program. In addition, participants in the Company’s Stock Benefit Plan can use common stock of the Company that they already own to pay all or a portion of the exercise payable to the Company upon the exercise of an option. In such event, the common stock used to pay the exercise price is returned to authorized but unissued status, and for purposes of this table is deemed to have been repurchased by the Company. The following table summarizes the total number of shares (units) repurchased by the Company during the three-month period ending June 30, 2005.

Period	Total shares (units) purchased[1]	Average price per share (unit)	Total shares (units) purchased under Company Program	Maximum shares (units) available under the Company Program
Balance March 31, 2005				2,699,300
April 1, 2005 to April 30, 2005	1,885	$39.21	-	-
May 1, 2005 to May 31, 2005	8,569	$42.35	-	-
June 1, 2005 to June 30, 2005	12,947	$41.08	-	-
	23,401	$41.39	-	2,699,300

(1) During the three months ended June 30, 2005, the Company repurchased 16,363 shares of common stock through share repurchase by the transfer agent in the open market in connection with the Company's Dividend Reinvestment Plan (DRIP). In addition, during May, 2005, 7,038 shares of common stock were used in satisfaction of the Company's obligation upon the exercise of stock options issued.

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

The annual meeting of the Company's stockholders was held on May 6, 2005. The following is a brief description of each matter voted upon at the meeting and the number of votes cast for, withheld or against, abstentions and the number of broker non-votes, as applicable, with respect to each matter.

The twelve directors proposed by the Company for re-election were elected to one year terms by the following vote:

DIRECTOR NAME	SHARES FOR	SHARES WITHHELD
William Balderston, III	26,303,994	762,948
Josh E. Fidler	25,179,657	1,887,285
Alan L. Gosule	26,703,637	363,305
Leonard F. Helbig, III	26,364,107	702,835
Roger W. Kober	26,310,801	756,141
Norman P. Leenhouts	26,404,199	662,743
Nelson B. Leenhouts	26,403,953	662,989
Edward J. Pettinella	26,408,176	658,766
Clifford W. Smith, Jr.	26,315,728	751,214
Paul L. Smith	26,358,395	708,547
Thomas S. Summer	26,700,671	366,271
Amy L. Tait	26,389,974	676,968

The stockholders approved the Company's Amended and Restated 2003 Stock Benefit Plan.

Shares Voted For:	14,606,191
Shares Voted Against:	7,903,603
Shares Abstaining:	84,261
Broker Non-Votes:	4,472,887

The stockholders approved the Company's Second Amended and Restated Director Deferred Compensation Plan.

Shares Voted For:	21,364,853
Shares Voted Against:	1,135,320
Shares Abstaining:	93,882
Broker Non-Votes:	4,472,887

The stockholders ratified the appointment of PricewaterhouseCoopers, LLP as the Company's independent registered public accounting firm for 2005.

Shares Voted For:	26,665,138
Shares Voted Against:	356,552
Shares Abstaining:	45,252

Item 6. Exhibits

Exhibit 31.1 Section 302 Certifications of Chief Executive Officer
Exhibit 31.2 Section 302 Certification of Chief Financial Officer
Exhibit 32.1 Section 906 Certifications of Chief Executive Officers
Exhibit 32.2 Section 906 Certification of Chief Financial Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOME PROPERTIES, INC.
(Registrant)

Date: August 9, 2005

By: /s/ Edward J. Pettinella
Edward J. Pettinella
President and Chief Executive Officer

Date: August 9, 2005

By: /s/ David P. Gardner
David P. Gardner
Executive Vice President and
Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14 PROMULGATED BY
THE SECURITIES AND EXCHANGE COMMISSION
(Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, Edward J Pettinella, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Home Properties, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Edward J. Pettinella
Edward J. Pettinella
President and Chief Executive Officer
August 9, 2005

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14 PROMULGATED BY
THE SECURITIES AND EXCHANGE COMMISSION
(Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, David P. Gardner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Home Properties, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David P. Gardner
David P. Gardner
Executive Vice President and Chief Financial Officer
August 9, 2005

Exhibit 32.1

The following certification is furnished as provided by Rule 13a-14(b) promulgated under the Securities Act of 1934 and Item 601(b)(32)(ii) of Regulation 5-K.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Home Properties, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2005, as filed with the Securities and Exchange Commission on August 9, 2005 (the "Report"), I, Edward J. Pettinella, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Edward J. Pettinella
Edward J. Pettinella
President and Chief Executive Officer
August 9, 2005

A signed original of this written statement required by Section 906 has been provided to Home Properties, Inc. and will be retained by Home Properties, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

The following certification is furnished as provided by Rule 13a-14(b) promulgated under the Securities Act of 1934 and Item 601(b)(32)(ii) of Regulation 5-K.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Home Properties, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2005, as filed with the Securities and Exchange Commission on August 9, 2005 (the "Report"), I, David P. Gardner, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David P. Gardner
David P. Gardner
Executive Vice President and
Chief Financial Officer
August 9, 2005

A signed original of this written statement required by Section 906 has been provided to Home Properties, Inc. and will be retained by Home Properties, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.