UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended MARCH 31, 2009

or

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

For the transition period from ______ to ______

Commission File Number: 1-13136

HOME PROPERTIES, INC.

(exact name of registrant as specified in its charter)

MARYLAND	16-1455126
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
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 fiscal year, if changed since last report)

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

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d)of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ☐ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Common Stock	Outstanding at April 30, 2009
$.01 par value	32,905,925

HOME PROPERTIES, INC.

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HOME PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS
MARCH 31, 2009 AND DECEMBER 31, 2008
(UNAUDITED, IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	2009	2008
ASSETS		
Real estate:		
Land	$ 511,407	$ 515,610
Construction in progress	124,933	111,039
Buildings, improvements and equipment	3,201,790	3,245,741
	3,838,130	3,872,390
Less: accumulated depreciation	(654,732)	(636,970)
Real estate, net	3,183,398	3,235,420
Cash and cash equivalents	8,260	6,567
Cash in escrows	27,566	27,904
Accounts receivable	12,855	14,078
Prepaid expenses	13,695	16,277
Deferred charges	10,233	11,360
Other assets	3,860	5,488
Total assets	$ 3,259,867	$ 3,317,094
LIABILITIES AND EQUITY		
Mortgage notes payable	$ 2,067,809	$ 2,112,331
Exchangeable senior notes	134,649	134,169
Line of credit	75,500	71,000
Accounts payable	23,040	23,731
Accrued interest payable	12,301	10,845
Accrued expenses and other liabilities	28,183	32,043
Security deposits	20,780	21,443
Total liabilities	2,362,262	2,405,562
Commitments and contingencies		
Equity:		
Common stock, $.01 par value; 80,000,000 shares authorized; 32,867,925 and 32,431,304 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	329	324
Excess stock, $.01 par value; 10,000,000 shares authorized; no shares issued or outstanding	-	-
Additional paid-in capital	867,216	857,415
Distributions in excess of accumulated earnings	(218,073)	(206,961)
Total common stockholders' equity	649,472	650,778
Noncontrolling interests	248,133	260,754
Total equity	897,605	911,532
Total liabilities and equity	$ 3,259,867	$ 3,317,094

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

HOME PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED, IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	2009	2008
Revenues:		
Rental income	$ 116,760	$ 112,937
Property other income	12,444	11,712
Interest income	8	120
Other income	278	192
Total revenues	129,490	124,961
Expenses:		
Operating and maintenance	57,163	54,115
General and administrative	5,888	6,220
Interest	30,553	30,016
Depreciation and amortization	30,047	27,473
Total expenses	123,651	117,824
Income from continuing operations	5,839	7,137
Discontinued operations:		
Loss from discontinued operations	(4,288)	(648)
Gain on disposition of property	13,508	29,849
Discontinued operations	9,220	29,201
Net income	15,059	36,338
Net income attributable to noncontrolling interests	(4,157)	(10,686)
Net income attributable to common shareholders	$ 10,902	$ 25,652
Basic earnings per share:		
Income from continuing operations	$ 0.13	$ 0.16
Discontinued operations	0.20	0.64
Net income attributable to common shareholders	$ 0.33	$ 0.80
Diluted earnings per share:		
Income from continuing operations	$ 0.13	$ 0.16
Discontinued operations	0.20	0.63
Net income attributable to common shareholders	$ 0.33	$ 0.79
Weighted average number of shares outstanding:		
Basic	32,668,662	32,211,720
Diluted	32,699,764	32,589,652
Dividends declared per share	$ 0.67	$ 0.66

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

HOME PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED, IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	Common Stock		Additional Paid-In	Distributions in Excess of Accumulated	Noncontrolling	
	Shares	Amount	Capital	Earnings	Interests	Totals
Balance, December 31, 2007	32,600,614	$ 326	$ 853,358	$ (185,623)	$ 279,061	$ 947,122
Cumulative effect of change in accounting principle	-	-	9,688	(2,066)	3,138	10,760
Balance, January 1, 2008	32,600,614	326	863,046	(187,689)	282,199	957,882
Net income	-	-	-	66,081	27,124	93,205
Issuance of common stock, net	370,714	3	16,824	-	-	16,827
Repurchase of common stock	(1,165,783)	(11)	(53,919)	-	-	(53,930)
Repurchase of convertible debt	-	-	88	(88)	-	-
Conversion of UPREIT Units for common stock	625,759	6	30,222	-	(12,435)	17,793
Adjustment of noncontrolling interests	-	-	1,154	-	(1,154)	-
Dividends and distributions paid ($2.65 per share)	-	-	-	(85,265)	(34,980)	(120,245)
Balance, December 31, 2008	32,431,304	$ 324	$ 857,415	$ (206,961)	$ 260,754	$ 911,532
Net income	-	-	-	10,902	4,157	15,059
Issuance of common stock, net	29,116	1	2,041	-	-	2,042
Repurchase of common stock	(25,078)	-	(711)	-	-	(711)
Conversion of UPREIT Units for common stock	432,583	4	8,680	-	(8,684)	-
Adjustment of noncontrolling interests	-	-	(209)	-	209	-
Dividends and distributions paid ($0.67 per share)	-	-	-	(22,014)	(8,303)	(30,317)
Balance, March 31, 2009	32,867,925	$ 329	$ 867,216	$ (218,073)	$ 248,133	$ 897,605

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

HOME PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED, IN THOUSANDS)

	2009	2008
Cash flows from operating activities:		
Net income	$ 15,059	$ 36,338
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	30,494	29,354
Amortization of debt discount	480	648
Gain on disposition of property and business	(13,508)	(29,849)
Issuance of restricted stock, compensation cost of stock options and deferred compensation	1,195	970
Changes in assets and liabilities:		
Cash in escrows	781	1,394
Other assets	4,644	211
Accounts payable and accrued liabilities	(3,058)	(365)
Total adjustments	21,028	2,363
Net cash provided by operating activities	36,087	38,701
Cash flows from investing activities:		
Purchase of land for development	-	(15,951)
Additions to properties	(20,313)	(19,998)
Additions to construction in progress	(11,170)	(5,897)
Proceeds from sale of properties and business, net	66,912	63,045
Additions to cash in escrows, net	(412)	(6,777)
Net cash provided by investing activities	35,017	14,422
Cash flows from financing activities:		
Proceeds from sale of common stock, net	847	1,837
Repurchase of common stock	(711)	(51,588)
Proceeds from mortgage notes payable	-	11,470
Payments of mortgage notes payable	(43,887)	(36,562)
Proceeds from line of credit	78,500	88,000
Payments on line of credit	(74,000)	(36,500)
Proceeds from (payments of) deferred loan costs	164	(231)
Additions to cash in escrows, net	(7)	(12)
Dividends and distributions paid	(30,317)	(30,360)
Net cash used in financing activities	(69,411)	(53,946)
Net increase (decrease) in cash and cash equivalents	1,693	(823)
Cash and cash equivalents:		
Beginning of year	6,567	6,109
End of period	$ 8,260	$ 5,286
Supplemental disclosure of non-cash operating, investing and financing activities:		
Exchange of UPREIT Units for common shares	$ 8,684	$ 538
Additions to properties included in accounts payable	5,587	1,207
Mortgage note premium write-off	615	-

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, which were revised in the current period to reflect the retroactive application of recently issued accounting standards (see Note 3), 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 statement 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, 2008.

2. Organization and Basis of Presentation

Organization

The Company was formed in November 1993, as a Maryland corporation and is engaged primarily in the ownership, management, acquisition, rehabilitation and development of residential apartment communities primarily in select Northeast, Mid-Atlantic and Southeast Florida regions of the United States. The Company conducts its business through Home Properties, L.P. (the "Operating Partnership"), a New York limited partnership. As of March 31, 2009, the Company operated 109 apartment communities with 37,539 apartments. Of this total, the Company owned 107 communities, consisting of 36,389 apartments, managed as general partner one partnership that owned 868 apartments, and fee managed one community, consisting of 282 apartments, for a third party.

The Company elected to be taxed as a Real Estate Investment Trust (“REIT”) under the Internal Revenue Code, as amended, for all periods presented. A corporate REIT is a legal entity which holds real estate interests and must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its adjusted taxable income to stockholders. As a REIT, the Company generally will not be subject to corporate level tax on taxable income it distributes currently to its stockholders. Management believes that all such conditions for the avoidance of income taxes have been met for the periods presented.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its ownership of 72.7% of the limited partnership units in the Operating Partnership ("UPREIT Units") at March 31, 2009 (71.7% at December 31, 2008). The remaining 27.3% is reflected as noncontrolling interests in these consolidated financial statements at March 31, 2009 (28.3% at December 31, 2008). The Company owns a 1.0% general partner interest in the Operating Partnership and the remainder indirectly as a limited partner through its wholly owned subsidiary, Home Properties I, LLC, which owns 100% of Home Properties Trust, which is the limited partner. 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.

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

2. Organization and Basis of Presentation (continued)

The accompanying consolidated financial statements include the accounts of Home Properties Resident Services, Inc. ("HPRS"), (the "Management Company"). The Management Company is a wholly owned subsidiary of the Company. In addition, the Company consolidates one affordable housing limited partnership in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46R, *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 – Consolidated Financial Statements* ("FIN 46R"). All significant inter-company balances and transactions have been eliminated in these consolidated financial statements.

3. Recently Adopted and Recently Issued Accounting Standards

Retrospective Application of Changes in Accounting Principles

On January 1, 2009, the Company adopted FASB Staff Position APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement),* ("FSP APB 14-1"); FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51* ("SFAS 160"); and FASB Staff Position EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* ("FSP EITF 03-6-1").

FSP APB 14-1 requires the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) to be separately accounted for in a manner that reflects the issuer's nonconvertible debt borrowing rate on the date of issue. The difference between the principal amount of the debt and the amount of proceeds allocated to the liability component is reported as a debt discount and subsequently amortized to earnings over the instrument's expected life using the effective interest method. The adoption of FSP APB 14-1 affects the accounting for the Company's 4.125% exchangeable senior notes ("senior notes") which were issued in October 2006 with a par value of $200,000. The initial debt component of the $200,000 par value senior notes was $186,050, based on the fair value of similar nonconvertible debt. The aggregate initial debt discount of $13,950 was recorded in additional paid-in capital. We are amortizing the discount using the effective interest method over the period the debt is expected to remain outstanding (through the first optional redemption date of November 1, 2011) as additional non-cash interest expense. During the fourth quarter of 2008, the Company repurchased $60,000 par value of the exchangeable senior notes for $45,360. The gain on early extinguishment of debt originally recorded in the fourth quarter of 2008 of $13,884 has been adjusted for the impact of FSP APB 14-1, which requires a revaluation of the extinguished debt and equity components at the date of extinguishment and resulted in a restated gain on early extinguishment of debt of $11,303. The following table provides additional information about the senior notes:

Consolidated Balance Sheet:	March 31, 2009	December 31, 2008
Principal amount of liability component	$ 140,000	$ 140,000
Unamortized discount	(5,351)	(5,831)
Carrying amount of liability component	$ 134,649	$ 134,169
Carrying amount of equity component	$ 13,950	$ 13,950

	March 31,	
Consolidated Income Statement:	2009	2008
Coupon interest	$ 1,444	$ 2,063
Discount amortization - issuance costs	138	195
Discount amortization - FSP APB 14-1	480	648
Total interest expense	$ 2,062	$ 2,906
Effective interest rate	5.75%	5.75%
Conversion price per share, as adjusted	$ 73.04	$ 73.11

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

3. Recently Adopted and Recently Issued Accounting Standards (continued)

SFAS 160 establishes accounting and reporting standards that require the ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated balance sheet within equity, but separate from the parent's equity; the amount of consolidated net income attributable to the parent and to the noncontrolling interests be clearly identified and presented on the face of the consolidated statement of income; changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently; and that entities provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners.

The following tables set forth the effect of the retroactive application of FSP APB 14-1 and SFAS 160 on certain previously reported line items.

Consolidated Balance Sheet:	December 31, 2008				
	Originally Reported	As Adjusted	Effect of Change	Impact of FSP APB 14-1	Impact of SFAS 160
Deferred charges	$ 11,473	$ 11,360	$ (113)	$ (113)	$ -
Total assets	3,317,207	3,317,094	(113)	(113)	-
Exchangeable senior notes	140,000	134,169	(5,831)	(5,831)	-
Total liabilities	2,411,393	2,405,562	(5,831)	(5,831)	-
Minority interest	259,136	-	(259,136)	-	(259,136)
Additional paid-in capital	847,576	857,415	9,839	9,839	-
Distributions in excess of accumulated earnings	(201,222)	(206,961)	(5,739)	(5,739)	-
Total stockholders' equity	646,678	650,778	4,100	4,100	-
Noncontrolling interests	-	260,754	260,754	1,618	259,136
Total equity	646,678	911,532	264,854	5,718	259,136
Total liabilities and stockholders' equity	3,317,207	3,317,094	(113)	(113)	-

Consolidated Statement of Operations:	Three Months Ended March 31, 2008				
	Originally Reported [1]	As Adjusted	Effect of Change	Impact of FSP APB 14-1	Impact of SFAS 160
Interest	$ 29,383	$ 30,016	$ 633	$ 633	$ -
Total expense	117,191	117,824	633	633	-
Income from continuing operations before gain on early retirement of debt	7,770	7,137	(633)	(633)	-
Minority interest in operating partnership	(2,285)	-	2,285	186	2,099
Income from continuing operations	5,485	7,137	1,652	(447)	2,099
Loss from discontinued operations	(457)	(648)	(191)	-	(191)
Gain on disposition of property	21,071	29,849	8,778	-	8,778
Discontinued operations	20,614	29,201	8,587	-	8,587
Net income	26,099	36,338	10,239	(447)	10,686
Net income attributable to noncontrolling interests	-	(10,686)	(10,686)	-	(10,686)
Net income attributable to common shareholders	26,099	25,652	(447)	(447)	-
Basic earnings per share	0.81	0.80	(0.01)	(0.01)	-
Diluted earnings per share	0.80	0.79	(0.01)	(0.01)	-

[1] Adjusted for discontinued operations in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS 144")*, as discussed in Note 9.

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

3. Recently Adopted and Recently Issued Accounting Standards (continued)

Consolidated Statement of Equity: December 31, 2008

	Originally Reported	As Adjusted	Effect of Change	Impact of FSP APB 14-1	Impact of SFAS 160
Additional paid-in-capital	$ 847,576	$ 857,415	$ 9,839	$ 9,839	$ -
Distributions in excess of accumulated earnings	(201,222)	(206,961)	(5,739)	(5,739)	-
Noncontrolling interests	-	260,754	260,754	1,618	259,136

The impact of FSP APB 14-1 on the January 1, 2008 balances of additional paid-in capital, distributions in excess of accumulated earnings and noncontrolling interests have been reflected as a cumulative effect of change in accounting principle on our consolidated statements of equity.

Consolidated Statement of Cash Flows: Three Months Ended March 31, 2008

	Originally Reported	As Adjusted	Effect of Change	Impact of FSP APB 14-1	Impact of SFAS 160
Net income	$ 26,099	$ 36,338	$ 10,239	$ (447)	$ 10,686
Income allocated to minority interest	10,872	-	(10,872)	(186)	(10,686)
Depreciation and amortization	29,369	29,354	(15)	(15)	-
Amortization of debt discount	-	648	648	648	-
Net cash provided by operating activities	38,701	38,701	-	-	-

FSP EITF 03-6-1 provides that unvested share-based payment awards that contain non-forfeitable rights to dividends are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method described in SFAS No. 128, *Earnings per Share.* The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. The Company determined that its restricted stock granted under its stock plans are considered participating securities since the share-based awards contain a non-forfeitable right to dividends irrespective of whether the awards ultimately vest. Prior to the adoption of FSP EITF 03-6-1, the Company's restricted stock was included in the calculation of diluted earnings per share using the treasury stock method. The Company determined that the two-class method of computing earnings per share was not materially different than the treasury stock method for the three months ended March 31, 2009 and 2008 and the years ended December 31, 2008, 2007, 2006 and 2005. FSP EITF 03-6-1 became effective on January 1, 2009 and required all prior period earnings per share data presented to be adjusted retroactively. The adoption of FSP EITF 03-6-1 did not have a material effect on our computation of earnings per share.

Recently Adopted Accounting Principles

On January 1, 2009, the Company adopted SFAS No. 141(R), *Business Combinations* ("SFAS 141R"), which establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, any noncontrolling interests in the acquiree and goodwill acquired in a business combination. Additionally, SFAS 141R requires acquisition-related costs to be expensed in the period in which the costs are incurred and the services received instead of including such costs as part of the acquisition price. This statement is effective for business combinations for which the acquisition date is on or after January 1, 2009. The Company's adoption of SFAS 141R did not have any impact on its financial position and results of operations.

3. Recently Adopted and Recently Issued Accounting Standards (continued)

On January 1, 2009, the Company adopted SFAS No. 157, *Fair Value Measurements* ("SFAS 157") for all non-financial assets and non-financial liabilities except for those that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies to accounting pronouncements that require or permit fair value measurements; the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS 157 does not require any new fair value measurements for the Company. The Company's adoption of SFAS 157 for non-financial assets and non-financial liabilities did not have any impact on its financial position and results of operations.

(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 attributable 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 (using the treasury stock method) and the conversion of any exchangeable senior notes. The exchange of an UPREIT 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 and discontinued 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 March 31, 2009 and 2008 follows:

	Three Months	
	2009	2008
Numerator:		
Income from continuing operations	$ 5,839	$ 7,137
Less: Income from continuing operations attributable to noncontrolling interests	(1,612)	(2,099)
Income from continuing operations attributable to common shareholders	$ 4,227	$ 5,038
Discontinued operations	$ 9,220	$ 29,201
Less: Discontinued operations attributable to noncontrolling interests	(2,545)	(8,587)
Discontinued operations attributable to common shareholders	$ 6,675	$ 20,614
Denominator:		
Basic weighted average number of common shares outstanding	32,668,662	32,211,720
Effect of dilutive stock options	20,257	328,213
Effect of phantom and restricted shares	10,845	49,719
Diluted weighted average number of common shares outstanding	32,699,764	32,589,652
Earnings per common share:		
Basic earnings per share:		
Income from continuing operations	$ 0.13	$ 0.16
Discontinued operations	0.20	0.64
Net income attributable to common shareholders	$ 0.33	$ 0.80
Diluted earnings per share:		
Income from continuing operations	$ 0.13	$ 0.16
Discontinued operations	0.20	0.63
Net income attributable to common shareholders	$ 0.33	$ 0.79

Unexercised stock options to purchase 2,558,268 and 1,015,542 shares of the Company's common stock 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 the three months ended March 31, 2009 and 2008, respectively. In conjunction with the issuance of the Exchangeable Senior Notes, there were 343,616 and 490,880 potential shares issuable under certain circumstances, of which all are considered antidilutive as of March 31, 2009 and 2008, respectively.

5. Variable Interest Entities

The Company is the general partner in one variable interest entity ("VIE") 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 the partnership for a management fee. In addition, the Company has an operating deficit guarantee and tax credit guarantee to the limited partners of that partnership (as discussed in Note 10). The Company is responsible for funding operating deficits to the extent there are any and can receive operating incentive awards when cash flows reach certain levels. The effect on the Consolidated Balance Sheet of including this VIE as of March 31, 2009 includes total assets of $12,689, total liabilities of $17,146 and partners deficit of $4,457, respectively. Of the $17,146 increase in total liabilities, $16,203 represents non-recourse mortgage debt.

6. Interest Capitalized

Capitalized interest associated with communities under development or rehabilitation totaled $1,794 and $1,061 for the three months ended March 31, 2009 and 2008, respectively.

7. Line of Credit

As of March 31, 2009, the Company had an unsecured line of credit agreement for $140,000 which expires September 1, 2009. The Company is currently negotiating a new line of credit with the current lead lender. The Company had $75,500 outstanding under the credit facility on March 31, 2009. The Company has had no defaults through March 31, 2009. The line of credit is led by Manufacturers and Traders Trust Company, as Administrative Agent, with three other participants: Citizens Bank of Rhode Island, Chevy Chase Bank, and Comerica Bank. Borrowings under the line of credit bear interest at 0.75% over the one-month LIBOR. The one-month LIBOR was 0.50% at March 31, 2009.

The credit agreement relating to this line of credit requires the Company to maintain certain financial ratios and measurements. The Company was in compliance with these financial covenants for the three months ended March 31, 2009.

The Company’s line of credit agreement provides the ability to issue up to $20,000 in letters of credit. While the issuance of letters of credit does not increase our borrowings outstanding under the line of credit, it does reduce the amount available. At March 31, 2009, the Company had outstanding letters of credit of $7,441. As of March 31, 2009, the amount available on the credit facility was $57,059 (net of $7,441 which was restricted/dedicated to support letters of credit and net of $75,500 in outstanding borrowings).

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

8. Segment Reporting

The Company is engaged in the ownership and management of 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, net operating income, and assets of the combined reported operating segments and meets all of the aggregation criteria under Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information* ("SFAS 131"). The operating segments are aggregated as Core and Non-core properties.

Non-segment revenue to reconcile to total revenue consists of interest income and other income. Non-segment assets to reconcile to total assets include cash and cash equivalents, cash in escrows, accounts receivable, prepaid expenses, 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, 2008. Non-core properties consist of apartment communities acquired or developed during 2008 and 2009, such that full year comparable operating results are not available.

The Company assesses and measures segment operating results based on a performance measure referred to as net operating income. Net operating income is defined as total revenues less operating and maintenance expenses. 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, 2008.

The revenues and net operating income for each of the operating segments are summarized for the three months ended March 31, 2009 and 2008 as follows:

	Three Months 2009	Three Months 2008
Revenues		
Apartments owned		
Core properties	$ 124,621	$ 122,667
Non-core properties	4,583	1,982
Reconciling items	286	312
Total revenues	$ 129,490	$ 124,961
Net operating income		
Apartments owned		
Core properties	$ 69,950	$ 69,404
Non-core properties	2,091	1,130
Reconciling items	286	312
Net operating income, including reconciling items	72,327	70,846
General and administrative expenses	(5,888)	(6,220)
Interest expense	(30,553)	(30,016)
Depreciation and amortization	(30,047)	(27,473)
Income from continuing operations	$ 5,839	$ 7,137

The assets for each of the reportable segments are summarized as follows as of March 31, 2009 and December 31, 2008:

Assets	2009	2008
Apartments owned		
Core properties	$ 2,911,915	$ 2,923,265
Non-core properties	271,483	312,155
Reconciling items	76,469	81,674
Total assets	$ 3,259,867	$ 3,317,094

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

9. Disposition of Property and Discontinued Operations

The Company reports its property dispositions as discontinued operations as prescribed by the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS 144")*. Pursuant to the definition of a component of an entity in SFAS 144, assuming no significant continuing involvement by the former owner after the sale, the sale of an apartment community is considered a discontinued operation. In addition, apartment communities classified as held for sale are also considered discontinued operations. The Company generally considers assets to be held for sale when all significant contingencies surrounding the closing have been resolved, which often corresponds with the actual closing date.

Included in discontinued operations for the three months ended March 31, 2009 are the operating results of three apartment communities sold in one transaction during the three months ended March 31, 2009 (the "2009 Disposed Communities"). Included in discontinued operations for the three months ended March 31, 2008 are the operating results of fifteen apartment communities sold in six separate transactions during the year ended December 31, 2008 ("2008 Disposed Communities") and the 2009 Disposed Communities. For purposes of the discontinued operations presentation, the Company only includes interest expense and losses from early extinguishment of debt associated with specific mortgage indebtedness of the properties that are sold or held for sale.

The operating results of discontinued operations are summarized for the three months ended March 31, 2009 and 2008 as follows:

	Three Months	
	2009	2008
Revenues:		
Rental income	$ 713	$ 4,862
Property other income	22	483
Total revenues	735	5,345
Expenses:		
Operating and maintenance	526	2,785
Interest expense, including prepayment penalties	4,497	2,136
Depreciation and amortization	-	1,072
Total expenses	5,023	5,993
Loss from discontinued operations	$ (4,288)	$ (648)

10. 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. Various claims of employment and resident discrimination are also periodically brought. 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 connection with various UPREIT transactions, the Company has agreed to maintain certain levels of nonrecourse debt for a period of 5 to 10 years associated with the contributed properties acquired. In addition, the Company is restricted in its ability to sell certain contributed properties (52% by number of apartment communities of the owned portfolio) for a period of 7 to 15 years except through a tax deferred like-kind exchange. The remaining terms on the sale restrictions range from 1 to 7 years.

Guarantees

As of March 31, 2009, the Company, through its general partnership interest in an affordable property limited partnership, has guaranteed low income housing tax credits to limited partners for a remaining period of seven years totaling approximately $3,000. As of March 31, 2009, there were no known conditions that would make such payments necessary relating to these guarantees. In addition, the Company, as general partner in this partnership, is obligated to advance funds to meet partnership operating deficits.

11. Subsequent Events

On May 5, 2009, the Board of Directors approved a dividend of $0.67 per share on the Company’s common stock for the quarter ended March 31, 2009. This is the equivalent of an annual distribution of $2.68 per share. The dividend is payable May 27, 2009 to shareholders of record on May 15, 2009.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (UNAUDITED)

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. Historical results and percentage relationships set forth in the consolidated financial statements, including trends which might appear, should not be taken as indicative of future operations. The Company considers portions of the information to be "forward-looking statements" within the meaning of Section 27A of the Securities Exchange Act of 1933 and Section 21E of the Securities Exchange Act of 1934, both as amended, with respect to the Company's expectations for future periods. Some examples of forward-looking statements include statements related to acquisitions (including any related pro forma financial information), future capital expenditures, potential development and redevelopment opportunities, projected costs and rental rates for development and redevelopment projects, financing sources and availability, and the effects of environmental and other regulations. Although the Company believes that the expectations reflected in those forward-looking statements are based upon 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 and development within anticipated budgets, the actual pace of future development, acquisitions and sales, and continued access to capital to fund growth. For this purpose, any statements contained in this Form 10-Q that are not statements of historical fact should be considered to be forward-looking statements. Some of the words used to identify forward-looking statements include "believes", "anticipates", "plans", "expects", "seeks", "estimates", and similar expressions. Readers should exercise caution in interpreting and relying on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond the Company's control and could materially affect the Company's actual results, performance or achievements.

Liquidity and Capital Resources

The Company's principal liquidity demands are expected to be distributions to the common stockholders and holders of UPREIT Units, capital improvements and repairs and maintenance for the properties, acquisition and development of additional properties, debt repayments and stock repurchases. The Company may also acquire equity ownership in other public or private companies that own and manage portfolios of apartment communities. Management does not anticipate the acquisition of communities in 2009.

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

As of March 31, 2009, the Company had an unsecured line of credit agreement with M&T Bank of $140 million which expires September 1, 2009. The Company is currently negotiating a new line of credit with the current lender. The Company has had no defaults through March 31, 2009. The Company had $75.5 million outstanding under the credit facility on March 31, 2009. The Company's line of credit agreement provides the ability to issue up to $20 million in letters of credit. While the issuance of letters of credit does not increase our borrowings outstanding under the line of credit, it does reduce the amount available. At March 31, 2009, the Company had outstanding letters of credit of $7.4 million. As of March 31, 2009, the amount available on the credit facility was $57.1 million (net of $7.4 million which was restricted/dedicated to support letters of credit and net of $75.5 million in outstanding borrowings). Borrowings under the line of credit bear interest at 0.75% over the one-month LIBOR rate of 0.50% at March 31, 2009. 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.

To the extent that the Company does not satisfy its long-term liquidity requirements through net cash flows provided by operating activities and its unsecured credit facility, it intends to satisfy such requirements through property debt financing, proceeds from the sale of properties, the issuance of UPREIT Units, proceeds from its Dividend Reinvestment and Direct Stock Purchase Plan ("DRIP"), or the issuance of additional debt and equity securities. As of March 31, 2009, the Company owned 23 properties with 6,812 apartment units which were unencumbered by debt.

In response to the constrictions in the credit market, the Company is pursuing certain initiatives as follows: 1) The Company is evaluating alternatives to replace or extend the existing unsecured line of credit which matures September 1, 2009. The Company is working with its existing lead bank and discussions suggest that there is interest from banks to participate in the Company's facility. The Company anticipates it will be able to replace the entire $140 million line. Pricing will be more expensive, and may move from interest at 0.75% over the one-month LIBOR under the existing agreement possibly to a spread closer to 3.00%. In addition, up-front and on-going fees could add another 75 basis points to pricing. 2) During 2008, the Company increased the level of the value of unencumbered properties in relationship to the total property portfolio from 16% to 19%. This higher level adds flexibility in 2009 allowing the Company to place secured financing on unencumbered assets as required. 3) The Company benefits from its multifamily focus as the Government Sponsored Enterprises ("GSEs") Fannie Mae and Freddie Mac are still very active lending to apartment owners. Underwriting has become more stringent, but the Company believes it will be able to refinance its debt maturities during this cycle of reduced liquidity. 4) The Company is in the fortunate position of having only $19 million of secured loans maturing in 2009. For 2010 and 2011, that number rises to $334 million and $302 million, respectively. The Company is pursuing refinancing $180 million of 2010 maturities in the second half of 2009 with the GSEs at a time when the GSEs are still very active and open to such transactions. It is anticipated that $230 million of new debt could be placed, resulting in $50 million of net proceeds from refinancing. The loans being targeted are those that would have little or no prepayment penalties. The balance of the 2010 maturities could not be refinanced early without being cost prohibitive due to expensive yield maintenance provisions.

During the first quarter of 2009, the Company sold three apartment communities, with a total of 741 units, for $67.8 million. A gain on sale of approximately $13.5 million was recorded in the first quarter related to these sales. The weighted average first year capitalization rate projected on these dispositions was 7.6%.

Management has included in its operating plan that the Company will strategically dispose of assets totaling approximately $110 million in 2009, $68 million of which were closed during the first three months of 2009. There can be no assurance that additional dispositions will actually occur.

The Company considers the issuance of UPREIT Units for property acquisitions to be a potential source of capital. During 2008 and the first quarter of 2009, the Company did not issue any UPREIT Units as consideration for acquired properties.

The Company's DRIP provides the stockholders of the Company an opportunity to automatically invest their cash dividends in additional shares of common stock. In addition, eligible participants may make monthly payments or other voluntary cash investments in shares of common stock. The maximum monthly investment permitted without prior Company approval is currently $10,000. The Company meets share demand under the DRIP through share repurchases by the transfer agent in the open market on the Company's behalf or new share issuances. From December 27, 2006 through September 25, 2007, the Company met demand by issuing new shares. As of September 26, 2007, the Company switched to meeting demand through share repurchases by the transfer agent in the open market on the Company's behalf. Management monitors the relationship between the Company's stock price and its estimated net asset value ("NAV"). During times when the difference between these two values is small, resulting in little dilution of NAV by common stock issuances, the Company can choose to issue new shares. At times when the gap between NAV and stock price is greater, the Company has the flexibility to satisfy the demand for DRIP shares with stock repurchased in the open market. In addition, the Company can issue waivers to DRIP participants to provide for investments in excess of the $10,000 maximum monthly investment. No such waivers were granted during the three months ended March 31, 2009 or the year ended December 31, 2008.

In October 2006, the Company issued $200 million of exchangeable senior notes with a coupon rate of 4.125%, which generated net proceeds of $195.8 million. The net proceeds were used to repurchase 933,000 shares of common stock for a total of $58 million, pay down $70 million on the line of credit, with the balance used for redemption of the Series F Preferred Shares and property acquisitions. During the fourth quarter of 2008, the Company repurchased $60 million of the exchangeable senior notes for $45.4 million. The exchange terms and conditions are more fully described under "Contractual Obligations and Other Commitments," below.

On April 4, 2007, the Company filed a Form S-3 universal shelf registration statement with the SEC that registers the issuance, from time to time, of common stock, preferred stock or debt securities. The Company may offer and sell securities issued pursuant to the universal shelf registration statement after a prospectus supplement, describing the type of security and amount being offered, is filed with the SEC.

In 1997, the Company's Board of Directors (the “Board”) approved a stock repurchase program under which the Company may repurchase shares of its common stock or UPREIT Units ("Company Program"). The shares/units may be repurchased through open market or privately negotiated transactions at the discretion of Company management. The Board's action did not establish a target stock price or a specific timetable for repurchase. At December 31, 2007, there was approval remaining to purchase 1,362,748 shares. During 2008, the Company repurchased 1,071,588 shares of its outstanding common stock at a cost of $50 million at a weighted average price of $46.66 per share. On May 1, 2008, the Board approved a 2,000,000-share increase in the stock repurchase program, resulting in a remaining authorization level of 2,291,160 shares as of December 31, 2008. There were no repurchases during the first three months of 2009. The Company will continue to monitor stock prices, the NAV, and acquisition/development alternatives to determine the current best use of capital between the two major uses of capital – stock buybacks and acquisitions/development.

As of March 31, 2009, the weighted average rate of interest on the Company’s total indebtedness of $2.3 billion was 5.5% with staggered maturities averaging approximately six years. Approximately 94% of total indebtedness was at fixed rates. This limits the exposure to changes in interest rates, minimizing the effect of interest rate fluctuations on the Company's results of operations and cash flows.

In 2000, the Company obtained an investment grade rating from Fitch, Inc. The rating in effect at March 31, 2009 (no change from initial rating) is a corporate credit rating of "BBB" (Triple B). Ratings are reviewed from time to time by the issuing agency and may change at any time.

The Company’s cash provided by operating activities was $36 million for the three months ended March 31, 2009 compared to $39 million for the same period in 2008. The change is primarily due to timing differences in cash disbursements between periods.

Cash provided by investing activities was $35 million for the three months ended March 31, 2009 compared to $14 million for the same period in 2008. The change is primarily due to a change in the use of proceeds between periods, as the proceeds from sale of properties was similar in both periods at $67 million and $63 million, respectively. During the three months ended March 31, 2009, $31 million of the proceeds from disposed properties were redeployed on additions to property and new construction as compared to the three months ended March 31, 2008 where $26 million was spent on additions to property and new construction, plus $16 million on the purchase of land for development.

Cash used in financing activities was $69 million for the three months ended March 31, 2009 compared to $54 million for the same period in 2008. The $15 million increase in cash used between periods is primarily due to $47 million less cash provided by the line of credit and $19 million higher net mortgage payments in 2009 as compared to 2008, partially offset by $51 million less cash used for stock buybacks in the 2009 period as compared to the 2008 period.

Variable Interest Entities

The Company is the general partner in one variable interest entity ("VIE") 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 the partnership for a management fee. In addition, the Company has an operating deficit guarantee and tax credit guarantee to the limited partner of that partnership. The Company is responsible to fund operating deficits to the extent there are any and can receive operating incentive awards if cash flows reach certain levels. The effect on the consolidated balance sheet of including this VIE as of March 31, 2009 includes total assets of $12.7 million, total liabilities of $17.1 million and partners deficit of $4.4 million. Of the $17.1 million in total liabilities, $16.2 million represents non-recourse mortgage debt. The VIE is included in the Consolidated Statement of Operations for the three months ended March 31, 2009 and 2008.

The Company, through its general partnership interest in the VIE, has guaranteed the low income housing tax credits to the limited partners for a remaining period of seven 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. The Company believes the property's operations conform to the applicable requirements as set forth above. In addition, as the general partner in this partnership, the Company is obligated to advance funds to meet partnership operating deficits.

Acquisitions and Dispositions

On January 30, 2009, the Company sold three apartment communities, with a total of 741 units, for $67.8 million. A gain on sale of approximately $13.5 million was recorded in the first quarter related to this sale. The weighted average first year capitalization rate projected on this disposition was 7.6%.

Contractual Obligations and Other Commitments

The primary obligations of the Company relate to its borrowings under the line of credit, exchangeable senior notes and mortgage notes payable. The Company's line of credit matures in September 2009 and had $75.5 million outstanding at March 31, 2009. The $2.1 billion in mortgage notes payable have varying maturities ranging from 3 months to 26 years. The weighted average interest rate of the Company's secured debt was 5.67% at March 31, 2009. The weighted average rate of interest on the Company's total indebtedness of $2.3 billion at March 31, 2009 was 5.53%.

In October 2006, the Company issued $200 million of exchangeable senior notes with a coupon rate of 4.125%. The notes are exchangeable into cash equal to the principal amount of the notes and, at the Company's option, cash or common stock for the exchange value, to the extent that the market price of common stock exceeds the initial exchange price of $73.34 per share, subject to adjustment. The exchange price is adjusted for payments of dividends in excess of the reference dividend set in the indenture of $0.64 per share. The adjusted exchange price at March 31, 2009 was $73.04 per share. Upon an exchange of the notes, the Company will settle any amounts up to the principal amount of the notes in cash and the remaining exchange value, if any, will be settled, at the Company's option, in cash, common stock or a combination of both. The notes are not redeemable at the option of the Company for five years, except to preserve the status of the Company as a REIT. Holders of the notes may require the Company to repurchase the notes upon the occurrence of certain designated events. In addition, prior to November 1, 2026, the holders may require the Company to repurchase the notes on November 1, 2011, 2016 and 2021. The notes will mature on November 1, 2026, unless previously redeemed, repurchased or exchanged in accordance with their terms prior to that date. During October and November 2008, the Company repurchased and retired $60 million face value of its exchangeable senior notes for $45.4 million, in several privately-negotiated transactions which amounted to a 24.4% discount from face value. An adjusted gain on debt extinguishment of $11.3 million was recorded in the fourth quarter of 2008, as compared to the originally reported gain of $13.9 million. The adjustment is as a result of recently adopted accounting standards as more fully described in Note 3 to the Consolidated Financial Statements.

The Company leases its corporate office space from an affiliate and the office space for its regional offices from non-affiliated 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.

As discussed in the section entitled Variable Interest Entities, the Company, through its general partnership interest in an affordable property limited partnership, has guaranteed 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 and does not anticipate any payment on the guarantees. In addition, the Company, as general partner in this partnership, is obligated to advance funds to meet partnership operating deficits.

Capital Improvements (dollars in thousands, except unit and per unit data)

Effective January 1, 2009, the Company updated its estimate of the amount of recurring, non-revenue enhancing capital expenditures incurred on an annual basis for a standard garden style apartment. The Company now estimates that the proper amount is $800 per apartment unit compared to $780 in the prior year. This new amount better reflects current actual costs and the effects of inflation since the last update.

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 increased 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 $800 and $780 per unit is spent on recurring capital expenditures in 2009 and 2008, respectively. During the three months ended March 31, 2009 and 2008, approximately $200 and $195 per unit, respectively, was estimated to be spent on recurring capital expenditures. The table below summarizes the actual total capital improvements incurred by major categories for the three months ended March 31, 2009 and 2008 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 months ended March 31, 2009 as follows:

	For the three months ended March 31, 2009						2008	
	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	$ -	$ -	$ 521	$ 14	$ 521	$ 14	$ 657	$ 19
Major building improvements	1,139	31	1,575	44	2,714	75	2,532	72
Roof replacements	298	8	86	3	384	11	449	13
Site improvements	390	11	-	-	390	11	781	22
Apartment upgrades	1,405	39	5,099	141	6,504	180	4,777	135
Appliances	1,180	33	26	-	1,206	33	1,040	29
Carpeting/flooring	1,999	55	599	17	2,598	72	2,288	65
HVAC/mechanicals	642	18	1,289	35	1,931	53	2,414	68
Miscellaneous	181	5	509	14	690	19	596	17
Totals	$7,234	$ 200	$ 9,704	$ 268	$ 16,938	$468	$ 15,534	$440

[a] Calculated using the weighted average number of units owned, including 35,360 core units, and 2008 acquisition units of 813 for the three months ended March 31, 2009; and 35,360 core units for the three months ended March 31, 2008.

The schedule below summarizes the breakdown of total capital improvements between core and non-core as follows:

	For the three months ended March 31,							
	2009						2008	
	Recurring Cap Ex	Per Unit[(b)]	Non-Recurring Cap Ex	Per Unit[(b)]	Total Capital Improvements	Per Unit[(b)]	Total Capital Improvements	Per Unit[(b)]
Core Communities	$ 7,071	$ 200	$ 9,425	$ 267	$ 16,496	$ 467	$ 15,534	$ 440
2008 Acquisition Communities	163	200	279	343	442	543	-	-
Sub-total	7,234	200	9,704	268	16,938	468	15,534	440
2009 Disposed Communities	49	200	126	509	175	709	544	734
2008 Disposed Communities	-	-	-	-	-	-	366	426
Corporate office expenditures[(1)]	-	-	-	-	310	-	1,071	-
Totals	$ 7,283	$ 200	$ 9,830	$ 270	$ 17,423	$ 470	$ 17,515	$ 445

(1) No distinction is made between recurring and non-recurring expenditures for corporate office. Corporate office expenditures include principally computer hardware, software, office furniture, fixtures and leasehold improvements.

(b) Calculated using the weighted average number of units owned, including 35,360 core units, 2008 acquisition units of 813 and 2009 disposed units of 247 for the three months ended March 31, 2009; and 35,360 core units, 2009 disposed units of 741 and 2008 disposed units of 859 for the three months ended March 31, 2008.

Results of Operations (dollars in thousands, except unit and per unit data)

Net operating income ("NOI") may fall within the definition of "non-GAAP financial measure" set forth in Item 10(e) of Regulation S-K and, as a result, the Company may be required to include in this report a statement disclosing the reasons why management believes that presentation of this measure provides useful information to investors. The Company believes that NOI is helpful to investors as a supplemental measure of the operating performance of a real estate company because it is a direct measure of the actual operating results of the Company's apartment properties. In addition, the apartment communities are valued and sold in the market by using a multiple of NOI. The Company also uses this measure to compare its performance to that of its peer group.

Summary of Core Properties

The Company had 104 apartment communities with 35,360 units which were owned during the three months ended March 31, 2009 and 2008 (the "Core Properties"). The Company has acquired/developed an additional three apartment communities with 1,029 units during 2009 and 2008 (the "Acquisition Communities"). During 2009, the Company disposed of three apartment communities with a total of 741 units, which had partial results for 2009 and full year results for 2008 (the "2009 Disposed Communities"). During 2008, the Company disposed of fifteen apartment communities with a total of 1,227 units, which had partial results for 2008 (the "2008 Disposed Communities"). The results of these disposed properties have been classified as discontinued operations and are not included in the table below.

The inclusion of the Acquisition Communities generally accounted for the significant changes in operating results for the three months ended March 31, 2009. In addition, the reported income from operations include the results of one investment where the Company is the managing general partner that has been determined to be a VIE and consolidated with the Company.

A summary of the net operating income for Core Properties is as follows:

	Three Months			
	2009	2008	$ Change	% Change
Rent	$ 112,384	$ 111,282	$1,102	1.0%
Utility recovery revenue	7,334	6,600	734	11.1%
Rent including recoveries	119,718	117,882	1,836	1.6%
Property other income	4,903	4,785	118	2.5%
Total revenue	124,621	122,667	1,954	1.6%
Operating and maintenance	(54,671)	(53,263)	(1,408)	(2.6%)
Net operating income	$ 69,950	$ 69,404	$ 546	0.8%

A summary of the net operating income for the Company as a whole is as follows:

	Three Months			
	2009	2008	$ Change	% Change
Rent	$ 116,760	$ 112,937	$ 3,823	3.4%
Utility recovery revenue	7,429	6,606	823	12.5%
Rent including recoveries	124,189	119,543	4,646	3.9%
Property other income	5,015	5,106	(91)	(1.8%)
Total revenue	129,204	124,649	4,555	3.7%
Operating and maintenance	(57,163)	(54,115)	(3,048)	(5.6%)
Net operating income	$ 72,041	$ 70,534	$ 1,507	2.1%

Comparison of three months ended March 31, 2009 to the same period in 2008

Of the $4,646 increase in rental income including recoveries, $2,810 is attributable to the Acquired Communities, and $1,836 is from the Core Properties, as the result of an increase of 2.4% in weighted average rental rates (including utility reimbursements), partially offset by a 0.8% decrease in economic occupancy from 93.9% to 93.1%. Economic 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 rents and vacant units at market rents. Included in the Core increase is $734 which represents increased utility recovery charges compared to 2008 attributable to the Company's water & sewer and heat & electric recovery programs. The higher utility recovery revenue in 2009 is due primarily to the increased energy consumption that was passed through to residents as compared to the 2008 first quarter where we experienced unseasonably warm temperatures.

The remaining property other income, which consists primarily of income from operation of laundry facilities, late charges, administrative fees, garage and carport rentals, revenue from corporate apartments, cable revenue, pet charges, and miscellaneous charges to residents decreased by $91. Of this decrease, $209 is attributable to the Acquired Communities, partially offset by a $118 increase in Core Properties resulting from increases in laundry and early termination fees.

Interest income decreased $112 due to a lower level of invested excess cash on hand and lower interest rates as compared to the prior year.

Other income, which primarily reflects management and other real estate service fees recognized by the Company, increased by $86. This is due to an increase in post closing consultation fees recognized between periods. The first quarter of 2009 realized higher fees as a result of the fourth quarter 2008 and first quarter 2009 property dispositions.

Of the $3,048 increase in operating and maintenance expenses, $1,149 is attributable to the Acquired Communities and a $491 increase is attributable to the consolidation of the VIE primarily reflecting a non-recurring favorable property tax adjustment of $389 that occurred in the 2008 quarter. The balance, a $1,408 increase, is attributable to the Core Properties and is primarily due to increases in electricity, natural gas heating costs, personnel, real estate taxes, and snow removal costs, partially offset by decreases in property insurance expense and property management general and administrative costs. Electricity increased $296, or 14.1% due to rate increases charged by the utility providers. Natural gas heating costs were up

$577, or 6.9% from a year ago, primarily as a result of increased consumption. The commodity costs increased only 1% between periods. For the first quarter 2009 the Company had fixed contracts for 98% of its natural gas usage at a weighted average cost of $8.38 per decatherm, compared to the first quarter 2008 heating season which had 94% of the usage fixed at a weighted average cost of $8.29 per decatherm. Personnel expense increased $474, or 4.2% primarily due to workers compensation self-insurance reserve adjustments in the 2009 period of $230, compared to no reserve changes in the 2008 period, making the increase before reserve adjustments $244, or 2.1%. Real estate taxes were up $642, or 5.8% partially due to $242 of tax increases experienced at the eight properties acquired in 2006 which were reassessed based upon the acquisition price. The balance of the increase, $400, or 3.6% represents the typical tax increases being registered across our portfolio, with no tax refunds recorded in either period. Snow removal costs were up $184, or 36.4%. The first quarter 2009 produced above normal snowfalls compared to the below normal snowfalls in 2008. Property insurance decreased by $422, or 15% due to the current period including a reserve reduction of $230, compared to no reserve adjustment in 2008. In the 2009 period we also realized the benefit of $408 in subrogation counterclaims settled for two 2007 fire losses. The normal increase before the reserve and counterclaim settlement adjustments was $216, or 7.7%, which primarily reflects increases in the property and general liability insurance premiums. Property management general and administrative costs decreased $366, or 9.2%, primarily due to staff reductions and other efficiency measures.

General and administrative expense decreased in 2009 by $332, or 5.3%. General and administrative expenses as a percentage of total revenues were 4.6% for 2009 as compared to 4.8% for 2008. Incentive bonus and stock-based compensation expenses were down $353 in 2009 as compared to 2008, which reflect the decrease in the Company's operating performance as compared to prior year. In addition, the Company realized a $33, or 12.3%, reduction in external costs incurred for auditing, tax and consultation expense.

Interest expense increased by $537, or 1.8% in 2009 primarily as a result of interest expense on the new debt of the Acquisition Communities, partially offset by higher capitalized interest which is a result of increased development levels in the first quarter of 2009 as compared to 2008.

Depreciation and amortization expense increased $2,574, or 9.4% due to the depreciation on the Acquisition Communities and the capital additions to the Core Properties.

Included in discontinued operations for the three months ended March 31, 2009 are the residual operating results of the 2009 Disposed Communities. Included in discontinued operations for the three months ended March 31, 2008 are the operating results of the 2009 and 2008 Disposed Communities. For purposes of the discontinued operations presentation, the Company only includes interest expense and losses from early extinguishment of debt associated with specific mortgage indebtedness of the properties that are sold or held for sale.

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, noncontrolling 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. 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.

In addition to presenting FFO in accordance with the NAREIT definition, we also disclose FFO after a specific and defined supplemental adjustment to exclude losses from early extinguishments of debt associated with the sales of real estate. The adjustment to exclude losses from early extinguishments of debt results when the sale of real estate encumbered by debt requires us to pay the extinguishment costs prior to the debt's stated maturity and to write-off unamortized loan costs at the date of the extinguishment. Such costs are excluded from the gains on sales of real estate reported in accordance with GAAP. However, we view the losses from early extinguishments of debt associated with the sales of real estate as an incremental cost of the sale transactions because we extinguished the debt in connection with the consummation of the sale transactions and we had no intent to extinguish the debt absent such transactions. We believe that this supplemental adjustment more appropriately reflects the results of our operations exclusive of the impact of our sale transactions.

Although our FFO as adjusted clearly differs from NAREIT's definition of FFO, and may not be comparable to that of other REITs and real estate companies, we believe it provides a meaningful supplemental measure of our operating performance because we believe that, by excluding the effects of the losses from early extinguishments of debt associated with the sales of real estate, management and investors are presented with an indicator of our operating performance that more closely achieves the objectives of the real estate industry in presenting FFO.

Neither FFO nor FFO as adjusted should be considered as an alternative to net income (determined in accordance with GAAP) as an indication of our performance. Neither FFO nor FFO as adjusted represents cash generated from operating activities determined in accordance with GAAP, and neither is a measure of liquidity or an indicator of our ability to make cash distributions. We believe that to further understand our performance, FFO and FFO as adjusted should be compared with our reported net income and considered in addition to cash flows in accordance with GAAP, as presented in our consolidated financial statements.

FFO falls within the definition of "non-GAAP financial measure" set forth in Regulation S-K and as a result the Company is required to include in this report a statement disclosing the reasons why management believes that presentation of this measure provides useful information to investors. 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. The Company also uses this measure to compare its performance to that of its peer group. 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 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 three months ended March 31, 2009 and 2008 are presented below (in thousands):

	Three Months	
	2009	2008
Net income attributable to common shareholders	$ 10,902	$ 25,652
Real property depreciation and amortization	29,420	27,950
Noncontrolling interests	4,157	10,686
Gain on disposition of property	(13,508)	(29,849)
FFO – Basic and Diluted, as defined by NAREIT	30,971	34,439
Loss from early extinguishment of debt in connection with sale of real estate	4,927	1,384
FFO – Basic and Diluted, as adjusted by the Company	$ 35,898	$ 35,823
Weighted average common shares/units outstanding [1]:		
Basic	45,180.01	45,650.92
Diluted	45,211.11	46,028.85

[1] Basic includes common stock outstanding plus UPREIT Units which can be converted into shares of common stock. Diluted includes additional common stock equivalents.

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

The credit agreement relating to the Company’s line of credit provides for the Company to maintain certain financial ratios and measurements. The Company was in compliance with these financial covenants for all periods presented. 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 or stock repurchases by short-term use of 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. Starting in 2001 and continuing into 2004 many regions of the United States had experienced varying degrees of economic recession and certain recessionary trends, such as a temporary reduction in occupancy and reduced pricing power limiting the ability to aggressively raise rents. Starting in the second half of 2004 and continuing into 2007, we saw a reversal of these recessionary trends. However, throughout 2008 and continuing into 2009, the sub-prime issue put significant pressure on the mortgage lending industry. This led to problems in the financial system which developed into the worst recession since the Great Depression. The credit markets tightened, consumer confidence plunged and unemployment soared. The Company has continued to receive favorable financing at market rates of interest. Its occupancy at 95.0% in 2008 was the highest it has been since 2000 and financial performance continued strong. However, a recessionary economy and increasing job losses typically slow household formations which could affect occupancy and decrease the Company's ability to raise rents. In light of this, we will continue to review our business strategy throughout the year. However, we believe that given our B property type and the geographic regions in which we are located, the Company's financial performance will be affected less negatively than its peers.

Declaration of Dividend

On May 5, 2009, the Board of Directors approved a dividend of $0.67 per share on the Company’s common stock for the quarter ended March 31, 2009. This is the equivalent of an annual distribution of $2.68 per share. The dividend is payable May 27, 2009 to shareholders of record on May 15, 2009.

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 and property insurance. Various claims of employment and resident discrimination are also periodically brought. 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.

Recently Adopted and Recently Issued Accounting Standards

Disclosure of recently adopted and recently issued accounting standards is incorporated herein by reference to the discussion under Part I, Item 1, Notes to Consolidated Financial Statements, Note 3.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary market risk exposure is interest rate risk. At March 31, 2009 and December 31, 2008, approximately 94% and 95%, respectively, of the Company's debt bore interest at fixed rates. At March 31, 2009 and December 31, 2008, approximately 88% and 89%, respectively, of the Company's debt was secured and bore interest at fixed rates. The secured fixed rate debt had weighted average maturities of approximately 5 years for both periods and a weighted average interest rate of 5.78% and 5.77% at March 31, 2009 and December 31, 2008, respectively. The remainder of the Company's secured debt bore interest at variable rates with a weighted average maturity of approximately 13 years for both periods and a weighted average interest rate of 1.89% and 2.02%, for 2009 and 2008, respectively. 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 or stock repurchase with the intention to refinance at a later date. The Company believes that increases in interest expense as a result of inflation would not significantly impact the Company's distributable cash flow.

At March 31, 2009 and December 31, 2008, the fair value of the Company's fixed and variable rate secured debt amounted to a liability of $2.10 billion and $2.08 billion, respectively, compared to its carrying amount of $2.07 billion and $2.11 billion, respectively. The Company estimates that a 100 basis point increase in market interest rates at March 31, 2009 would have changed the fair value of the Company's fixed and variable rate secured debt to a liability of $2.02 billion. At March 31, 2009 and December 31, 2008, the fair value of the Company's total debt, including the exchangeable senior notes and line of credit, amounted to a liability of $2.30 billion and $2.26 billion, respectively, compared to its carrying amount of $2.28 billion and $2.32 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 debt and/or 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 March 31, 2009, 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 March 31, 2009, 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 first quarter of the year ended December 31, 2009 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1A. RISK FACTORS

Refer to the Risk Factors disclosure in the Company's Form 10-K for the year ended December 31, 2008. There have been no material changes in these risk factors during the three months ended March 31, 2009 and through the date of this report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES; USE OF PROCEEDS FROM REGISTERED SECURITIES

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 ("Company 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 specific target stock price or a specific timetable for share repurchase. 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 price payable to the Company upon the exercise of an option and applicable withholding tax. In such event, the common stock used to pay the exercise price and tax withholding is returned to authorized but unissued status, and for purposes of this table is deemed to have been repurchased by the Company. At December 31, 2008, the Company had authorization to repurchase 2,291,160 shares of common stock and UPREIT Units under the Company Program. During the first quarter of 2009, the Company did not repurchase any shares under the Company Program. The following table summarizes the total number of shares/units repurchased by the Company during the three months ended March 31, 2009:

Period	Total shares/units purchased[1]	Average price per share/unit	Total shares/units purchased as part of Company Program	Maximum shares/units available under Company Program
Balance January 1, 2009:				2,291,160
January 2009	2,295	$ 35.23	-	2,291,160
February 2009	17,587	27.45	-	2,291,160
March 2009	2,968	28.10	-	2,291,160
Total First Quarter 2009	22,850	$ 28.32	-	2,291,160

[1] During the three months ended March 31, 2009, the Company repurchased 22,850 shares of common stock through share repurchase by the transfer agent in the open market in connection with the Company's Dividend Reinvestment and Direct Stock Purchase Plan, which are included in this table.

ITEM 4. SUBMISSION OF MATTER TO A VOTE OF SECURITY HOLDERS

The annual meeting of the Company's stockholders was held on May 5, 2009 (the "2009 Annual Meeting"). The following is a brief description of each matter voted upon at the meeting and the number of votes cast for, withheld or against and abstentions, as applicable, with respect to each matter.

The ten directors nominated by the Company for re-election to the Board of Directors were elected to one year terms by the following vote:

Director Name	Shares For	Shares Withheld
Stephen R. Blank	28,711,612	310,412
Josh E. Fidler	28,089,850	932,174
Alan L. Gosule	28,512,704	509,320
Leonard F. Helbig, III	28,511,832	510,192
Nelson B. Leenhouts	28,090,583	931,441
Norman P. Leenhouts	28,084,091	937,933
Edward J. Pettinella	28,523,866	498,158
Clifford W. Smith, Jr.	28,547,596	474,428
Paul L. Smith	28,539,326	482,698
Amy L. Tait	27,603,893	1,418,131

The directors will serve until their successors have been elected and qualified.

The stockholders ratified the appointment of PricewaterhouseCoopers, LLP as the Company's independent registered public accounting firm for 2009.

Shares Voted For:	28,538,728
Shares Voted Against:	441,635
Shares Abstaining:	41,661

ITEM 5. OTHER INFORMATION

At a meeting duly called and held on May 4, 2009, the independent directors constituting the Company's Compensation Committee approved changes to compensation arrangements for the executive officers who were named in the Summary Compensation Table of the Company's Proxy Statement issued in connection with the 2009 Annual Meeting other than the Chief Executive Officer At a meeting duly called and held on May 5, 2009, the Board of Directors of the Company approved changes to the compensation arrangements for the Chief Executive Officer. The changes to all of those arrangements are described on Exhibit 10.1 to this 10-Q. Also on May 5, 2009, the Board of Directors approved a grant of stock options and restricted stock to each of the non-employee directors as described on Exhibit 10.2 to this 10-Q.

ITEM 6. EXHIBITS

Exhibit 10.1 Changes to Compensation Arrangements for Named Executive Officers*
Exhibit 10.2 Equity Grant for Non-Employee Directors*
Exhibit 31.1 Section 302 Certification of Chief Executive Officer*
Exhibit 31.2 Section 302 Certification of Chief Financial Officer*
Exhibit 32.1 Section 906 Certification of Chief Executive Officer**
Exhibit 32.2 Section 906 Certification of Chief Financial Officer**

*Filed herewith
**Furnished herewith

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: May 8, 2009

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

Date: May 8, 2009

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

Exhibit 10.1

CHANGES TO COMPENSATION ARRANGEMENTS FOR NAMED EXECUTIVE OFFICERS

Adopted by the Compensation Committee of the Board of Directors on May 4, 2009 and,
with respect to Edward J. Pettinella, by the Board of Directors on May 5, 2009

Edward J. Pettinella – President and Chief Executive Officer

Option to Purchase Common Stock - value	$594,000 (1)
Shares of Restricted Stock - value	$726,000 (2)

David P. Gardner – Executive Vice President and Chief Financial Officer

Option to Purchase Common Stock - value	$226,350 (1)
Shares of Restricted Stock - value	$276,650 (2)
Base Salary	$338,888 (3)

Ann M. McCormick – Executive Vice President and General Counsel

Option to Purchase Common Stock - value	$185,400 (1)
Shares of Restricted Stock - value	$226,600 (2)
Base Salary	$285,000 (3)

Scott Doyle – Senior Vice President

Option to Purchase Common Stock - value	$117,000 (1)
Shares of Restricted Stock - value	$143,000 (2)

John E. Smith – Senior Vice President

Option to Purchase Common Stock - value	$128,250 (1)
Shares of Restricted Stock - value	$156,750 (2)

(1) In all cases, the grant date will be May 11, 2009 and the exercise price will be the closing price of a share of the Common Stock of Home Properties, Inc. (the "Company") as reflected on the New York Stock Exchange on May 11, 2009 (the "Closing Price"). The number of options to be granted will be calculated by dividing the awarded value by the value of each option determined using the Black-Scholes formula. The options will be granted pursuant to the Company's 2008 Stock Benefit Plan, as amended, vest 20% on each of the first five grant date anniversaries (May 11 of 2010, 2011, 2012, 2013 and 2014) and terminate 10 years after grant date.

(2) In all cases, the shares of restricted stock will be granted on May 11, 2009 and the number of shares of restricted stock to be granted will be calculated by dividing the awarded value by the Closing Price. The restricted shares will be granted pursuant to the Company's 2008 Stock Benefit Plan, as amended, and the restrictions will lapse 25% on each of the first four grant date anniversaries (May 11 of 2010, 2011, 2012 and 2013).

(3) Retroactive to March 16, 2009

Exhibit 10.2

EQUITY GRANTS FOR NON-EMPLOYEE DIRECTORS
Adopted by the Board of Directors on May 5, 2009

On May 11, 2009, each of the non-employee directors will be granted 6,000 options to purchase Common Stock of Home Properties, Inc. (the "Company"). The exercise price for the options to be issued will be the closing price of a share of the Company's Common Stock as reflected on the New York Stock Exchange on May 11, 2009 (the "Closing Price"). The options will be valued using the Black-Scholes formula.

On May 11, 2009, each of the non-employee directors also will be granted shares of the Company's restricted stock. The number of shares of restricted stock to be granted will be calculated as follows: The value of the options granted on May 11, 2009 will be subtracted from $84,000 to arrive at a restricted stock value. That value will be divided by the Closing Price to determine the number of shares of restricted stock to be granted.

The options and the restricted stock will be granted pursuant to the terms of the Company's 2008 Stock Benefit Plan, as amended.

The options will vest 20% on each of the first five grant date anniversaries (May 11 of 2010, 2011, 2012, 2013 and 2014) and terminate 10 years after the grant date. The restrictions on the restricted stock will lapse on the fifth anniversary of the grant date.

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 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:

   (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.

By: /s/ Edward J. Pettinella
Edward J. Pettinella
President and Chief Executive Officer
May 8, 2009

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 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:

   (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.

By: /s/ David P. Gardner
David P. Gardner
Executive Vice President and
Chief Financial Officer
May 8, 2009

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 S-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 quarter ended March 31, 2009, as filed with the Securities and Exchange Commission on May 8, 2009 (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
May 8, 2009

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 S-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 quarter ended March 31, 2009, as filed with the Securities and Exchange Commission on May 8, 2009 (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
May 8, 2009

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.