CAMDEN PROPERTY TRUST
Form 10-K
February 20, 2009

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2008

OR

o **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: 1-12110

CAMDEN PROPERTY TRUST

(Exact name of registrant as specified in its charter)

Texas	**76-6088377**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3 Greenway Plaza, Suite 1300 Houston, Texas	**77046**
(Address of principle executive offices)	(Zip Code)

Registrant s telephone number, including area code: (713) 354-2500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares of Beneficial Interest, $.01 par value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one):

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

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was $2,271,950,779 based on a June 30, 2008 share price of $44.26.

On February 17, 2009, the number of outstanding common shares of the registrant s was 53,321,917.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s Proxy Statement in connection with its Annual Meeting of Shareholders to be held May 6, 2009 are incorporated by reference in Part III.

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PART I

Item 1. Business

General Development of Business

Formed on May 25, 1993, Camden Property Trust, a Texas real estate investment trust (REIT), is engaged in the ownership, development, construction, and management of multifamily apartment communities. Unless the context requires otherwise, we, our, us, and the Company refer to Camden Property Trust and its consolidated subsidiaries partnerships, collectively. Our multifamily apartment communities are referred to as communities, multifamily communities, properties, or multifamily properties in the following discussion.

Our executive offices are located at 3 Greenway Plaza, Suite 1300, Houston, Texas 77046 and our telephone number is (713) 354-2500. Our website is located at www.camdenliving.com. On our website, we make available free of charge our annual, quarterly, and current reports, and amendments to such reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the SEC). We also make available, free of charge on our website, our Guidelines on Governance, Code of Business Conduct and Ethics, Code of Ethical Conduct for Senior Financial Officers, and the charters of each of our Audit, Compensation, Nominating, and Corporate Governance Committees. This information is also available in print, free of charge to any person who requests it, by contacting us at Camden Property Trust, 3 Greenway Plaza, Suite 1300, Houston, Texas 77046, attention: Investor Relations.

Our annual, quarterly, and current reports, proxy statements, and other information are electronically filed with the SEC. You may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please contact the SEC at 1-800-SEC-0330 for further information about the operation of the SEC s Public Reference Room. The SEC also maintains a website at www.sec.gov which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Financial Information about Segments

We are engaged in the ownership, development, construction, and management of multifamily apartment communities. As each of our apartment communities has similar economic characteristics, residents, and products and services, our operations have been aggregated into one reportable segment. See our consolidated financial statements and notes included thereto in Item 15 of this Annual Report on Form 10-K for certain information required by Item 1.

Narrative Description of Business

As of December 31, 2008, we owned interests in, operated, or were developing 186 multifamily properties comprising 64,329 apartment homes across the United States. We had 1,426 apartment homes under development at five of our multifamily properties, including 1,060 apartment homes at four multifamily properties owned through joint ventures, in which we own an interest, in addition to other sites we may develop into multifamily apartment communities. Additionally, one property comprised of 671 apartment homes was designated as held for sale.

Operating Strategy

We believe producing consistent earnings growth through property operations, development, and acquisitions, achieving market balance, and recycling capital are crucial factors to our success. We rely heavily on our sophisticated property management capabilities and innovative operating strategies to help us to produce earnings growth.

Real Estate Investments and Market Balance. We believe we are well positioned in our current markets and have the expertise to take advantage of new opportunities as they arise. These capabilities, combined with what we believe is a conservative financial structure, should allow us to concentrate our growth efforts toward selective opportunities to enhance our strategy of having a geographically diverse portfolio of assets which meet the requirements of our residents.

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We have historically focused our operating strategy on capturing greater market share, selectively disposing of properties, and redeploying capital in new multifamily communities while also maintaining a strong balance sheet. We have also actively evaluated acquisition opportunities as they arose, some of which were consummated and contributed to our growth and profitability.

We continue to operate in our core markets in which we believe we have an advantage due to economies of scale. We feel, where possible, it is best to operate with a strong base of properties in order to benefit from the personnel allocation and the market strength associated with managing several properties in the same market. However, consistent with our goal of generating sustained earnings growth, we intend to selectively dispose of properties and redeploy capital for various strategic reasons, including if we determine a property cannot meet long-term earnings growth expectations.

Due to weakness and unpredictability in the capital and credit markets and real estate fundamentals, we believe our revenues may decline in 2009 as compared to 2008. Although we believe our business and long-term fundamentals which support increased revenues, such as population growth, remain strong and the current difficult conditions will moderate over time, the timing of an economic recovery is unclear and these conditions may not improve quickly. Consequently, our near-term primary focus is to strengthen our capital and liquidity position by selectively disposing of properties, controlling and reducing construction and overhead costs, generating positive cash flows from operations, and reducing outstanding debt and leverage ratios. While we expect development to continue to be important to the growth of our portfolio in the long term, we expect decreasing levels of development activity in 2009 as compared to prior years. Please review the Risk Factors section for a further discussion of the potential impact on us of current economic conditions.

We believe the current economic downturn may provide us with opportunities to acquire selective multifamily assets at attractive valuations. In certain instances, such acquisitions may provide us with benefits we would not be able to achieve by developing our own multifamily communities, such as the avoidance of incurring development or construction expenses. We intend to seek to limit the risks associated with such acquisitions by targeting those opportunities we believe will have a positive impact on our earnings within an acceptable period of time.

In the fourth quarter of 2007, we had the final closing of our discretionary investment vehicle, Camden Multifamily Value Add Fund, L.P. (the Fund), followed by the final closing of a co-investment limited partnership (the Co-Investment Vehicle and, together with the Fund, the Funds) in the second quarter of 2008. During the investment period (ending no later than December 2011), the Funds will be our exclusive vehicles for acquiring apartment communities, subject to certain exceptions. Over the next several years, we expect to increase our acquisition activity through the Funds, focusing on communities that can benefit from redevelopment, repositioning, or market cycle opportunities. Please review the Risk Factors section for a discussion of risks associated with acquisitions and the Funds.

Sophisticated Property Management. We believe the depth of our organization enables us to deliver quality services, promote resident satisfaction, and retain residents, thereby reducing operating expenses. We manage our properties utilizing a staff of professionals and support personnel, including certified property managers, experienced apartment managers and leasing agents, and trained apartment maintenance technicians. Our on-site personnel are trained to deliver high quality services to our residents. We strive to motivate our on-site employees through incentive compensation arrangements based upon property operational results, rental rate increases, and level of lease renewals achieved.

Operations. We believe an intense focus on operations is necessary to realize consistent, sustained earnings growth. Ensuring resident satisfaction, increasing rents as market conditions allow, maximizing rent collections, maintaining property occupancy at optimal levels, and controlling operating costs comprise our principal strategies to maximize property net operating income. We believe our web-based property management and revenue management systems strengthen on-site operations and allow us to quickly adjust rental rates as local market conditions change. Lease terms are generally staggered based on vacancy exposure by apartment type so lease expirations are matched to each property s seasonal rental patterns. We generally offer leases ranging from six to fifteen months, with individual property marketing plans structured to respond to local market conditions. In addition, we conduct ongoing customer service surveys to ensure timely response to residents changing needs and a high level of satisfaction.

Investments in Joint Ventures. We have entered into, and may continue in the future to enter into, joint ventures or partnerships (including limited liability companies) through which we own an indirect economic interest of less than 100% of the community or communities owned directly by the joint venture or partnership. See Note 7, Investments in Joint Ventures, and Note 14, Commitments and Contingencies, of the Notes to Consolidated Financial Statements for further discussion of our investments in joint ventures.

Competition

There are numerous housing alternatives which compete with our properties in attracting residents. Our properties compete directly with other multifamily properties as well as condominiums and single family homes which are available for rent or purchase in the markets in which our properties are located. This competitive environment could have a material adverse effect on our ability to lease apartment homes at our present properties or any newly developed or acquired property, as well as on the rents charged.

Employees

At December 31, 2008, we had approximately 1,800 employees, including executive, administrative, and community personnel.

Qualification as a Real Estate Investment Trust

As of December 31, 2008, we met the qualification of a REIT under Sections 856-860 of the Internal Revenue Code of 1986, as amended (the Code). As a result, we, with the exception of our taxable REIT subsidiaries, will not be subject to federal income tax to the extent we meet certain requirements of the Code.

Item 1A. Risk Factors

In addition to the other information contained in this Form 10-K, the following risk factors should be considered carefully in evaluating our business. Our business, financial condition, or results of operations could be materially adversely affected by any of these risks. Please note additional risks not presently known to us or which we currently consider immaterial may also impair our business and operations.

Risks Associated with Real Estate, Real Estate Capital, and Credit Markets

Volatility in capital and credit markets could adversely impact us.

The capital and credit markets have been experiencing extreme volatility and disruption, which has caused the spreads on prospective debt financings to widen considerably and made it more difficult to borrow money. If current levels of market disruption and volatility continue or worsen, we may not be able to obtain new debt financing or refinance our existing debt on favorable terms or at all, which would adversely affect our liquidity and our ability to make distributions to shareholders. This market turmoil and tightening of credit have led to an increased lack of consumer confidence and widespread reduction of business activity generally, which have adversely impacted and may continue to adversely impact us, including our ability to acquire and dispose of assets and continue our development pipeline.

***We could be negatively impacted by the condition of Fannie Mae or Freddie Mac*.**

Fannie Mae and Freddie Mac are a major source of financing for secured multifamily rental real estate. We and other multifamily companies depend heavily on Fannie Mae and Freddie Mac to finance growth by purchasing apartment loans. In September 2008, the U.S. government assumed control of Fannie Mae and Freddie Mac and placed both companies into a government conservatorship under the recently created Federal Housing Finance Agency. The U.S. government has not determined which of Fannie Mae s and Freddie Mac s businesses to retain and which to dissolve. A decision by the government to reduce Fannie Mae s or Freddie Mac s acquisitions of apartment loans could adversely affect interest rates, capital availability, and the development of multifamily communities. Governmental actions could also make it easier for individuals to finance loans for single-family homes, which would make renting a less attractive option and adversely affect our occupancy or rental rates.

Unfavorable changes in economic conditions could adversely impact occupancy or rental rates.

Weakened economic conditions, including decreased job growth and job losses, have affected and continue to significantly affect apartment home occupancy and rental rates. Significant decreases in occupancy or rental rates in the markets in which we operate, in turn, may have a material adverse impact on our cash flows and operating results. The risks which may affect conditions in these markets include the following:

- changes in the national, regional, and local economic climates;
- local conditions, such as an oversupply of apartments or other housing available for rent, or a reduction in demand for apartments in the area;
- a continued economic downturn which simultaneously effects one or more of our geographical markets; and
- increased operating costs, if these costs cannot be passed through to residents.

We may experience a decrease in rental revenues, an increase in operating expenses, or a combination of both, which may adversely affect our results of operations and our ability to satisfy our financial obligations and to pay distributions to shareholders.

We face risks associated with land holdings.

We hold land for future development and may in the future acquire additional land holdings. The risks inherent in owning or purchasing and developing land increase as demand for apartments, or rental rates, decrease. Real estate markets are highly uncertain and, as a result, the value of undeveloped land has fluctuated significantly and may continue to fluctuate as a result of changing market conditions. In addition, carrying costs can be significant and can result in losses or reduced margins in a poorly performing project. As a result, we hold certain land and may in the future acquire additional land in our development pipeline at a cost we may not be able to recover fully or on which we cannot build and develop into a profitable multifamily community. Also, real estate markets are highly uncertain and, as a result, the value of undeveloped land has fluctuated significantly and may continue to fluctuate as a result of changing market conditions. Under current market conditions, we have recorded impairment charges on certain of our land held for development and may have future impairments of our land. These impairment charges are based on estimates of fair value. Given the current environment, the amount of market information available to estimate fair value is less than usual; if additional market information becomes available in future periods we may take additional impairment charges in the future.

Difficulties of selling real estate could limit our flexibility.

We intend to evaluate the potential disposition of assets that may no longer help us meet our objectives. When we decide to sell an asset, we may encounter difficulty in finding buyers in a timely manner as real estate investments generally cannot be disposed of quickly, especially when market conditions are poor. These difficulties have been exacerbated in the current credit environment because buyers have experienced difficulty in obtaining the necessary financing. These factors may limit our ability to vary our portfolio promptly in response to changes in economic or other conditions and may also limit our ability to utilize sales proceeds as a source of liquidity, which would adversely affect our ability to make distributions to shareholders or repay debt. In addition, in order to maintain our status as a REIT, the Code imposes restrictions on our ability to sell properties held fewer than two years, which may cause us to incur losses thereby reducing our cash flows and adversely impacting our ability to make distributions to shareholders or repay debt.

Compliance or failure to comply with laws requiring access to our properties by disabled persons could result in substantial cost.

The Americans with Disabilities Act (ADA), the Fair Housing Amendments Act of 1988 (FHAA), and other federal, state, and local laws generally require public accommodations be made accessible to disabled persons. Noncompliance could result in the imposition of fines by the government or the award of damages to private litigants. These laws may require us to modify our existing properties. These laws may also restrict renovations by requiring improved access to such buildings by disabled persons or may require us to add other structural features which increase our construction costs. Legislation or regulations adopted in the future may impose further burdens or restrictions on us with respect to improved access by disabled persons. We may incur unanticipated expenses which may be material to our financial condition or results of operations to comply with ADA, FHAA, and other federal, state, and local laws, or in connection with lawsuits brought by private litigants.

Competition could limit our ability to lease apartments or increase or maintain rental income.

There are numerous housing alternatives which compete with our properties in attracting residents. Our properties compete directly with other multifamily properties as well as condominiums and single family homes which are available for rent or purchase in the markets in which our properties are located. This competitive environment could have a material adverse effect on our ability to lease apartment homes at our present properties or any newly developed or acquired property, as well as on the rents charged.

Risks Associated with Our Operations

Development and construction risks could impact our profitability.

Although we expect decreasing levels of development activity in 2009, as compared to prior years, in the long term we intend to continue to develop and construct multifamily apartment communities for our property portfolio. Our development and construction activities may be exposed to a number of risks which may increase our construction costs including the following:

- inability to obtain, or delays in obtaining, necessary zoning, land-use, building, occupancy, and other required permits and authorizations, or problems with subcontractors could result in increased costs;
- incurring construction costs exceeding our original estimates due to increased materials, labor, or other costs, or due to errors and omissions which occur in the design or construction process;
- experiencing fluctuations in occupancy rates and rents at a newly completed property which may not be adequate to make the property profitable;
- inability to obtain financing with favorable terms for the development of a community;
- inability to complete construction and lease-up of a community on schedule, resulting in increased costs;
- incurring costs related to the abandonment of development opportunities which we have pursued and deemed unfeasible; and
- inability to successfully implement our development and construction strategy could adversely affect our results of operations and our ability to satisfy our financial obligations and pay distributions to shareholders.

We also serve as the general contractor on a limited number of development and construction projects related to properties owned by unrelated third parties pursuant to guaranteed maximum price contracts. The terms of these contracts require us to estimate the time and costs to complete a project, and we assume the risk the time and costs associated with our performance may be greater than was anticipated. As a result, our profitability on guaranteed maximum price contracts is dependent on our ability to accurately predict these factors. The time and costs may be affected by a variety of factors, including those listed above, many of which are beyond our control. In addition, the

terms of these contracts generally require a warranty period, which may have a duration of up to ten years, during which we may be required to repair, replace, or rebuild a project in the event of a material defect.

Our acquisition strategy may not produce the cash flows expected.

Subject to the requirements of the Funds, we may acquire additional operating properties on a select basis. Our acquisition activities are subject to a number of risks, including the following:

- we may not be able to successfully integrate acquired properties into our existing operations;
- our estimates of the costs of repositioning or redeveloping the acquired property may prove inaccurate;
- the expected occupancy and rental rates may differ from the actual results; and
- we may not be able to obtain adequate financing.

With respect to acquisitions of operating companies, we may not be able to identify suitable candidates on terms acceptable to us, or may not achieve expected returns and other benefits as a result of integration challenges, such as personnel and technology.

Competition could adversely affect our ability to acquire properties.

We expect other real estate investors, including insurance companies, pension and investment funds, private investors, and other apartment REITs, will compete with us to acquire new properties. This competition could increase prices for the type of properties we would likely pursue and adversely affect our ability to acquire these properties or the profitability of such properties upon acquisition.

Losses from catastrophes may exceed our insurance coverage.

We carry comprehensive property and liability insurance on our properties, which we believe is of the type and amount customarily obtained on similar real property assets. We intend to obtain similar coverage for properties we acquire or develop in the future. However, some losses, generally of a catastrophic nature, such as losses from floods, hurricanes, or earthquakes, may be subject to coverage limitations. We exercise our discretion in determining amounts, coverage limits, and deductible provisions of insurance, to maintain appropriate insurance on our investments at a reasonable cost and on suitable terms. If we suffer a substantial loss, our insurance coverage may not be sufficient to pay the full current market value or current replacement value of our lost investment, as well as the anticipated future revenues from the property. Inflation, changes in building codes and ordinances, environmental considerations, and other factors also may reduce the feasibility of using insurance proceeds to replace a property after it has been damaged or destroyed.

Investments through joint ventures and partnerships involve risks not present in investments in which we are the sole investor.

We have invested and may continue to invest as a partner in joint ventures or partnerships. These investments involve risks, including the possibility our partner may have business goals which are inconsistent with ours, be in a position to take action or withhold consent contrary to our requests, or become insolvent and require us to assume and fulfill the joint venture s or partnership s financial obligations. We and our partner may each have the right to initiate a buy-sell arrangement, which could cause us to sell our interest, or acquire our partner s interest, at a time when we otherwise would not have entered into such a transaction. Each joint venture or partnership agreement is individually negotiated, and our ability to operate and/or dispose of a community in our sole discretion may be limited to varying degrees depending on the terms of the joint venture or partnership agreement.

We face risks associated with investments in and management of discretionary funds.

We have formed the Funds which, through wholly-owned subsidiaries, we manage as the general partner and advisor and to which we have committed 20% of the total equity interest, up to $75 million in the aggregate. As of December 31, 2008, the Funds had total capital commitments of $375 million. There are risks associated with the investment in and management of the Funds, including the following:

- investors in the Funds may fail to make their capital contributions when due and, as a result, the Funds may be unable to execute their investment objectives;
- the general partner of the Funds, our wholly-owned subsidiary, has unlimited liability for the third-party debts, obligations, and liabilities of the Funds pursuant to general partnership law;

- investors in the Funds (other than us), by majority vote, may remove our subsidiary as the general partner of the Funds with or without cause and the Funds advisory boards, by a majority vote of their members, may remove our subsidiary as the general partner of the Funds at any time for cause;
- while we have broad discretion to manage the Funds and make investment decisions on behalf of the Funds, the investors or the advisory committees must approve certain matters, and as a result we may be unable to cause the Funds to make certain investments or implement certain decisions we consider beneficial;
- we are permitted to acquire land and develop communities but are generally prohibited from acquiring fully developed multifamily properties outside of the Funds until the earlier of (i) December 31, 2011 or (ii) such time as 90% of the Funds committed capital is invested, subject to certain exceptions;
- our ability to redeem all or a portion of our investments in the Funds is subject to significant restrictions; and
- we may be liable if the Funds fail to comply with various tax or other regulatory matters.

We depend on our key personnel.

Our success depends in part on our ability to attract and retain the services of executive officers and other personnel. There is substantial competition for qualified personnel in the real estate industry, and the loss of several of our key personnel could have an adverse effect on us.

Changes in laws and litigation risks could affect our business.

As a large publicly-traded owner of multifamily properties, we may become involved in legal proceedings, including consumer, employment, tort, or commercial litigation, which if decided adversely to or settled by us, could result in liability which is material to our financial condition or results of operations.

Tax matters, including failure to qualify as a REIT, could have adverse consequences.

We may not continue to qualify in the future as a REIT. The Internal Revenue Service may challenge our qualification as a REIT for prior years and new legislation, regulations, administrative interpretations, or court decisions may change the tax laws or the application of the tax laws with respect to qualification as a REIT or the federal tax consequences of such qualification.

For any taxable year we fail to qualify as a REIT and do not qualify under statutory relief provisions:

- we would be subject to federal income tax on our taxable income at regular corporate rates, including any applicable alternative minimum tax;
- we would be disqualified from treatment as a REIT for the four taxable years following the year in which we failed to qualify, thereby reducing our net earnings available for operations, including any distributions to shareholders, as we would be required to pay significant income taxes for the year or years involved; and
- our ability to expand our business and raise capital would be impaired, which may adversely affect the value of our common shares.

We may face other tax liabilities in the future which may impact our cash flow. These potential tax liabilities may be calculated on our income or property at either the corporate or individual property levels. Any additional tax expense incurred would decrease the cash available for distribution to our shareholders.

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Risks Associated with Our Indebtedness and Financing

Insufficient cash flows could limit our ability to make required payments for debt obligations or pay distributions to shareholders.

Substantially all of our income is derived from rental and other income from our multifamily communities. As a result, our performance depends in large part on our ability to collect rent from residents which could be negatively affected by a number of factors, including the following:

- delay in resident lease commencements;
- decline in occupancy;
- failure of residents to make rental payments when due;
- the attractiveness of our properties to residents and potential residents;
- our ability to adequately manage and maintain our properties;
- competition from other available apartments and housing alternatives; and
- changes in market rents.

Cash flow could be insufficient to meet required payments of principal and interest with respect to debt financing. In order for us to continue to qualify as a REIT we are required to distribute annual dividends equal to a minimum of 90% of our REIT taxable income, computed without regards to the dividends paid deduction and our net capital gains. This requirement limits the cash flow available to meet required principal payments on our debt.

We have significant debt, which could have important adverse consequences.

As of December 31, 2008, we had outstanding debt of approximately $2.8 billion. This indebtedness could have important consequences, including:

- if a property is mortgaged to secure payment of indebtedness, and if we are unable to meet our mortgage obligations, we could sustain a loss as a result of foreclosure on the mortgage;
- our vulnerability to general adverse economic and industry conditions is increased; and
- our flexibility in planning for, or reacting to, changes in business and industry is limited.

The mortgages on our properties subject to secured debt, our unsecured credit facility, and the indentures under which our unsecured debt was issued contain customary restrictions, requirements, and other limitations, as well as certain financial and operating covenants including maintenance of certain financial ratios. Maintaining compliance with these provisions could limit our financial flexibility. A default in these provisions, if uncured, could require us to repay the indebtedness, which could severely affect our liquidity and increase our financing costs.

We may be unable to renew, repay, or refinance our outstanding debt.

We are subject to the risk that indebtedness on our properties, or unsecured indebtedness, will not be able to be renewed, repaid, or refinanced when due or the terms of any renewal or refinancing will not be as favorable as the existing terms of such indebtedness. If we are unable to refinance our indebtedness on acceptable terms, or at all, we might be forced to dispose of one or more of the properties on disadvantageous terms, which might result in losses to us. Such losses could have a material adverse effect on us and our ability to make distributions to our shareholders and pay amounts due on our debt. Furthermore, if a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose upon the property, appoint a receiver and exercise rights under an assignment of rents and leases or pursue other remedies, all with a consequent loss of our revenues and asset value. Foreclosures could also create taxable income without accompanying cash proceeds, thereby hindering our ability to meet the REIT distribution requirements of the Internal Revenue Code.

Variable rate debt is subject to interest rate risk.

We have mortgage debt with varying interest rates dependent upon various market indexes. In addition, we have a revolving credit facility bearing interest at a variable rate on all amounts drawn on the facility. We may incur additional variable rate debt in the future. Increases in interest rates on variable rate debt would increase our interest expense, unless we make arrangements which hedge the risk of rising interest rates, which would adversely affect net income and cash available for payment of our debt obligations and distributions to shareholders.

We may incur losses on interest rate hedging arrangements.

Periodically, we have entered into agreements to reduce the risks associated with changes in interest rates, and we may continue to do so in the future. Although these agreements may partially protect against rising interest rates, they may also reduce the benefits to us if interest rates decline. If a hedging arrangement is not indexed to the same rate as the indebtedness which is hedged, we may be exposed to losses to the extent which the rate governing the indebtedness and the rate governing the hedging arrangement change independently of each other. Additionally, nonperformance by the other party to the hedging arrangement may subject us to increased credit risks.

Issuances of additional debt or equity may adversely impact our financial condition.

Our capital requirements depend on numerous factors, including the occupancy rates of our apartment properties, dividend payment rates to our shareholders, development and capital expenditures, costs of operations, and potential acquisitions. If our capital requirements vary materially from our plans, we may require additional financing earlier than anticipated. Accordingly, we could become more leveraged, resulting in increased risk of default on our obligations and an increase in our debt service requirements, both of which could adversely affect our financial condition and ability to access debt and equity capital markets in the future.

Failure to maintain our current credit ratings could adversely affect our cost of funds, related margins, liquidity, and access to capital markets.

Moody s and Standard & Poor s, the major debt rating agencies, routinely evaluate our debt and have given us ratings of Baa1 and BBB+, respectively, on our senior unsecured debt. These ratings are based on a number of factors, which include their assessment of our financial strength, liquidity, capital structure, asset quality, and sustainability of cash flow and earnings. In light of the difficulties in the real estate industry and the volatile financial markets, we may not be able to maintain our current credit ratings, which could adversely affect our cost of funds and related margins, liquidity, and access to capital markets.

Risks Associated with Our Shares

Share ownership limits and our ability to issue additional equity securities may prevent takeovers beneficial to shareholders.

For us to maintain our qualification as a REIT, we must have 100 or more shareholders during the year and not more than 50% in value of our outstanding shares may be owned, directly or indirectly, by five or fewer individuals. As defined for federal income tax purposes, the term individuals includes a number of specified entities. To minimize the possibility of us failing to qualify as a REIT under this test, our declaration of trust includes restrictions on transfers of our shares and ownership limits. The ownership limits, as well as our ability to issue other classes of equity securities, may delay, defer, or prevent a change in control. These provisions may also deter tender offers for our common shares which may be attractive to you, or limit your opportunity to receive a premium for your shares which might otherwise exist if a third party were attempting to effect a change in control transaction.

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Our share price will fluctuate.

Stock markets in general and our common shares have experienced significant price volatility over the past year. The market price and volume of our common shares may continue to be subject to significant fluctuations due not only to general stock market conditions but also to the risk factors discussed in this report and the following:

- operating results which vary from the expectations of securities analysts and investors;
- investor interest in our property portfolio;
- the reputation and performance of REITs;
- the attractiveness of REITs as compared to other investment vehicles;
- the results of our financial condition and operations;
- the perception of our growth and earnings potential;
- dividend payment rates;
- increases in market rates, which may lead purchasers of our common shares to demand a higher yield; and
- changes in financial markets and national economic and general market conditions.

We may reduce dividends on our equity securities or elect to pay a portion of the dividend in common shares.

On November 24, 2008, we announced our Board of Trust Managers had declared a fourth quarter dividend of $0.70 per common share, totaling $2.80 per share for the year ended December 31, 2008. In order for us to continue to qualify as a REIT we are required to distribute annual dividends equal to a minimum of 90% of our REIT taxable income, computed without regards to the dividends paid deduction and our net capital gains. However, in the event of, among other factors, continued material future deterioration in business conditions, or continuing tightening in the credit markets, our Board of Trust Managers may decide to reduce our dividend while ensuring compliance with the requirements of the Code related to REIT qualification. In December 2008, the Internal Revenue Service announced it would treat a cash option share dividend as satisfying a public REIT s distribution requirements for 2008 and 2009 so long as certain requirements are met. We may elect to pay dividends during this period in part in our common shares which would cause dilution to our earnings per share given the additional shares outstanding.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Properties

Our properties typically consist of mid-rise buildings or two and three story buildings in a landscaped setting and provide residents with a variety of amenities. Most of the properties have one or more swimming pools and a clubhouse and many have whirlpool spas, tennis courts, and controlled-access gates. Many of the apartment homes offer additional features such as fireplaces, vaulted ceilings, microwave ovens, covered parking, icemakers, washers and dryers, and ceiling fans.

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Operating Properties

The 181 operating properties, including properties held through joint ventures, which we owned interests in and operated at December 31, 2008, averaged 915 square feet of living area per apartment home. For the year ended December 31, 2008, no single operating property accounted for greater than 2.2% of our total revenues. Our operating properties, including properties held through joint ventures, had a weighted average occupancy rate of 93.9% and 93.7% for 2008 and 2007, respectively. Resident lease terms generally range from six to fifteen months. One hundred and fifty-six of our operating properties have over 200 apartment homes, with the largest having 904 apartment homes. Our operating properties have an average age of 9.6 years (calculated on the basis of investment dollars). Our operating properties were constructed and placed in service as follows:

Year Placed in Service	Number of Operating Properties
2001-2008	46
1996-2000	57
1991-1995	19
1986-1990	39
1980-1985	15
Prior to 1980	5

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Property Table

The following table sets forth information with respect to our operating properties at December 31, 2008.

OPERATING PROPERTIES

Property and Location	Number of Apartments	Year Placed In Service	Average Apartment Size (Sq. Ft.)	2008 Average Occupancy (1)
ARIZONA				
Phoenix				
Camden Copper Square	332	2000	786	93.1%
Camden Fountain Palms (8)	192	1986/1996	1,050	91.5
Camden Legacy	428	1996	1,067	93.7
Camden Pecos Ranch (8)	272	2001	924	93.6
Camden San Paloma	324	1993/1994	1,042	94.0
Camden Sierra (8)	288	1997	925	91.4
Camden Towne Center (8)	240	1998	871	92.2
Camden Vista Valley	357	1986	923	91.1
CALIFORNIA				
Los Angeles/Orange County				
Camden Crown Valley	380	2001	1,009	95.1
Camden Harbor View	538	2004	975	94.8
Camden Main & Jamboree (2) (12)	290	2008	1,011	Lease-Up
Camden Martinique	714	1986	794	93.8
Camden Parkside (8)	421	1972	836	92.9
Camden Sea Palms	138	1990	891	95.4
San Diego/Inland Empire				
Camden Old Creek (3)	350	2007	1,037	92.8
Camden Sierra at Otay Ranch	422	2003	962	94.6
Camden Tuscany	160	2003	896	96.4
Camden Vineyards	264	2002	1,053	91.3
COLORADO				
Denver				
Camden Caley	218	2000	925	95.9
Camden Centennial	276	1985	744	94.2
Camden Denver West (9)	320	1997	1,015	95.4
Camden Highlands Ridge	342	1996	1,149	96.0
Camden Interlocken	340	1999	1,022	96.7
Camden Lakeway	451	1997	932	94.1
Camden Pinnacle	224	1985	748	92.7
WASHINGTON DC METRO				
Camden Ashburn Farms	162	2000	1,062	95.7
Camden Clearbrook	297	2007	1,048	94.9
Camden College Park (2) (12)	508	2008	942	Lease-Up
Camden Fair Lakes	530	1999	1,056	95.0
Camden Fairfax Corner	488	2006	934	96.5
Camden Fallsgrove	268	2004	996	97.8
Camden Grand Parc	105	2002	674	95.9
Camden Lansdowne	690	2002	1,006	96.0

Camden Largo Town Center	245	2000/2007	1,027	91.3
Camden Monument Place (3)	368	2007	856	93.2
Camden Potomac Yard (2)	378	2008	835	Lease-Up
Camden Roosevelt	198	2003	856	96.1
Camden Russett	426	2000	992	95.3
Camden Silo Creek	284	2004	975	95.2
Camden Summerfield (2)	291	2008	957	Lease-Up
Camden Westwind	464	2006	1,036	95.9
FLORIDA				
Southeast Florida				
Camden Aventura	379	1995	1,108	94.7
Camden Brickell	405	2003	937	96.4
Camden Doral	260	1999	1,120	97.3
Camden Doral Villas	232	2000	1,253	97.4
Camden Las Olas	420	2004	1,043	92.8
Camden Plantation	502	1997	1,201	93.7
Camden Portofino	322	1995	1,112	96.1

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OPERATING PROPERTIES (CONTINUED)

Property and Location	Number of Apartments	Year Placed In Service	Average Apartment Size (Sq. Ft.)	2008 Average Occupancy (1)
Orlando				
Camden Club	436	1986	1,077	94.1%
Camden Hunter s Creek	270	2000	1,075	96.7
Camden Lago Vista	366	2005	955	93.8
Camden Landings	220	1983	748	93.6
Camden Lee Vista	492	2000	937	92.8
Camden Orange Court (2)	261	2008	812	Lease-Up
Camden Renaissance	578	1996/1998	899	93.3
Camden Reserve	526	1990/1991	824	93.6
Camden World Gateway	408	2000	979	95.4
Tampa/St. Petersburg				
Camden Bay	760	1997/2001	943	93.2
Camden Bay Pointe	368	1984	771	93.8
Camden Bayside	832	1987/1989	748	94.7
Camden Citrus Park	247	1985	704	93.3
Camden Lakes	688	1982/1983	732	93.4
Camden Lakeside	228	1986	729	93.8
Camden Live Oaks	770	1990	1,093	94.2
Camden Preserve	276	1996	942	94.2
Camden Providence Lakes (4)	260	1996	1,024	92.2
Camden Royal Palms	352	2006	1,017	88.5
Camden Westshore (4)	278	1986	728	92.4
Camden Woods	444	1986	1,223	93.8
GEORGIA				
Atlanta				
Camden Brookwood	359	2002	912	93.7
Camden Deerfield	292	2000	1,187	93.5
Camden Dunwoody	324	1997	1,007	95.1
Camden Midtown Atlanta	296	2001	935	94.1
Camden Peachtree City	399	2001	1,027	95.5
Camden River	352	1997	1,103	94.4
Camden Shiloh	232	1999/2002	1,143	95.3
Camden St. Clair	336	1997	999	94.1
Camden Stockbridge	304	2003	1,009	92.2
Camden Sweetwater	308	2000	1,151	92.4
KENTUCKY				
Louisville				
Camden Brookside (10)	224	1987	732	96.4
Camden Meadows (10)	400	1987/1990	746	95.7
Camden Oxmoor (10)	432	2000	903	95.6
Camden Prospect Park (10)	138	1990	916	95.9
MISSOURI				
Kansas City				

Camden Passage (10)	596	1989/1997	834	95.3
St. Louis				
Camden Cedar Lakes (10)	420	1986	852	92.6
Camden Cove West (10)	276	1990	828	95.6
Camden Cross Creek (10)	591	1973/1980	947	95.4
Camden Westchase (10)	160	1986	945	96.3

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OPERATING PROPERTIES (CONTINUED)

Property and Location	Number of Apartments	Year Placed In Service	Average Apartment Size (Sq. Ft.)	2008 Average Occupancy (1)
NEVADA				
Las Vegas				
Camden Bel Air	528	1988/1995	943	94.2%
Camden Breeze	320	1989	846	94.7
Camden Canyon (4)	200	1995	987	94.7
Camden Commons	376	1988	936	92.9
Camden Cove	124	1990	898	96.1
Camden Del Mar (4)	560	1995	986	91.2
Camden Fairways (4)	320	1989	896	92.8
Camden Hills	184	1991	439	96.3
Camden Legends	113	1994	792	92.9
Camden Palisades	624	1991	905	94.1
Camden Pines (8)	315	1997	982	96.8
Camden Pointe	252	1996	983	95.5
Camden Summit (8)	234	1995	1,187	96.6
Camden Tiara (8)	400	1996	1,043	95.2
Camden Vintage	368	1994	978	93.7
Oasis Bay (11)	128	1990	876	94.9
Oasis Crossings (11)	72	1996	983	95.9
Oasis Emerald (11)	132	1988	873	95.9
Oasis Gateway (11)	360	1997	1,146	94.3
Oasis Island (11)	118	1990	901	93.5
Oasis Landing (11)	144	1990	938	95.4
Oasis Meadows (11)	383	1996	1,031	94.3
Oasis Palms (11)	208	1989	880	92.9
Oasis Pearl (11)	90	1989	930	97.5
Oasis Place (11)	240	1992	440	95.5
Oasis Ridge (11)	477	1984	391	89.6
Oasis Sierra (11)	208	1998	923	94.9
Oasis Springs (11)	304	1988	838	93.0
Oasis Vinings (11)	234	1994	1,152	93.4
NORTH CAROLINA				
Charlotte				
Camden Ballantyne	400	1998	1,045	92.3
Camden Cotton Mills	180	2002	905	95.0
Camden Dilworth	145	2006	857	95.9
Camden Fairview	135	1983	1,036	95.5
Camden Forest	208	1989	703	92.7
Camden Foxcroft (5)	156	1979	940	Redevelopment
Camden Grandview	266	2000	1,057	93.7
Camden Habersham	240	1986	773	94.8
Camden Park Commons	232	1997	861	91.5
Camden Pinehurst	407	1967	1,147	93.2
Camden Sedgebrook	368	1999	972	94.3

Camden Simsbury	100	1985	874	95.7
Camden South End Square	299	2003	882	92.8
Camden Stonecrest	306	2001	1,098	93.7
Camden Touchstone (4)	132	1986	899	94.6

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OPERATING PROPERTIES (CONTINUED)

Property and Location	Number of Apartments	Year Placed In Service	Average Apartment Size (Sq. Ft.)	2008 Average Occupancy (1)
Raleigh				
Camden Crest	438	2001	1,013	94.1%
Camden Governor s Village	242	1999	1,046	91.8
Camden Lake Pine	446	1999	1,066	94.4
Camden Manor Park	484	2006	966	94.6
Camden Overlook	320	2001	1,060	95.6
Camden Reunion Park	420	2000/2004	972	92.7
Camden Westwood	354	1999	1,027	94.3
PENNSYLVANIA				
Camden Valleybrook	352	2002	992	96.3
TEXAS				
Austin				
Camden Cedar Hills (2)	208	2008	911	Lease-Up
Camden Gaines Ranch	390	1997	955	93.8
Camden Huntingdon	398	1995	903	95.7
Camden Laurel Ridge	183	1986	702	92.9
Camden Ridgecrest	284	1995	855	95.1
Camden South Congress (13)	253	2001	975	92.4
Camden Stoneleigh	390	2001	908	95.1
Corpus Christi				
Camden Breakers (4)	288	1996	868	92.9
Camden Copper Ridge	344	1986	775	93.4
Camden Miramar (7)	778	1994-2004	482	80.8
Dallas/Fort Worth				
Camden Addison (8)	456	1996	942	94.8
Camden Buckingham	464	1997	919	95.3
Camden Centreport	268	1997	911	93.8
Camden Cimarron	286	1992	772	95.5
Camden Farmers Market	904	2001/2005	932	94.8
Camden Gardens	256	1983	652	94.5
Camden Glen Lakes (4)	424	1979	877	91.7
Camden Legacy Creek	240	1995	831	96.2
Camden Legacy Park	276	1996	871	95.7
Camden Oasis	602	1986	548	83.6
Camden Springs	304	1987	713	92.6
Camden Valley Creek	380	1984	855	93.9
Camden Valley Park (5)	516	1986	743	Redevelopment
Camden Valley Ridge	408	1987	773	93.6
Camden Westview	335	1983	697	94.4

OPERATING PROPERTIES (CONTINUED)

Property and Location	Number of Apartments	Year Placed In Service	Average Apartment Size (Sq. Ft.)	2008 Average Occupancy (1)
Houston				
Camden Baytown	272	1999	844	95.8%
Camden City Centre (3)	379	2007	932	94.0
Camden Creek	456	1984	639	92.4
Camden Greenway	756	1999	861	96.3
Camden Holly Springs (8)	548	1999	934	95.1
Camden Midtown	337	1999	844	97.4
Camden Oak Crest	364	2003	870	95.9
Camden Park (8)	288	1995	866	96.4
Camden Plaza (3) (12)	271	2007	915	94.4
Camden Royal Oaks (3)	236	2006	923	90.0
Camden Steeplechase	290	1982	748	93.5
Camden Stonebridge	204	1993	845	97.2
Camden Sugar Grove (8)	380	1997	921	95.1
Camden Vanderbilt (4)	894	1996/1997	863	94.3
Camden West Oaks (6)	671	1982	726	94.7
Camden Whispering Oaks (2)	274	2008	934	Lease-Up

(1) Represents average physical occupancy for the year except as noted below.

(2) Properties under lease-up at December 31, 2008.

(3) Development property completed during 2008 average occupancy calculated from date at which occupancy exceeded 90% through year-end.

(4) Redevelopment completed during 2008 average occupancy calculated from date at which occupancy exceeded 90% through year-end.

(5) Properties under redevelopment at December 31, 2008.

(6) Property held for sale at December 31, 2008.

(7) Miramar is a student housing project for Texas A&M at Corpus Christi. Average occupancy includes summer which is normally subject to high vacancies.

(8) Properties owned through a joint venture in which we own a 20% interest. The remaining interest is owned by an unaffiliated private investor.

(9) Property owned through a joint venture in which we own a 50%

interest. The remaining interest is owned by an unaffiliated private investor.

(10) *Properties owned through a joint venture in which we own a 15% interest. The remaining interest is owned by an unaffiliated private investor.*

(11) *Properties owned through a joint venture in which we own a 20% interest. The remaining interest is owned by an unaffiliated private pension fund.*

(12) *Properties owned through a joint venture in which we own a 30% interest. The remaining interest is owned by an unaffiliated private investor.*

(13) *Property owned through a joint venture in which we own a 20% interest. The remaining interest is owned by an unaffiliated private pension*

fund.

Item 3. Legal Proceedings

For discussion regarding legal proceedings, see Note 14, Commitments and Contingencies, in the Notes to Consolidated Financial Statements.

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

None.

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The high and low closing prices per share of our common shares, as reported on the New York Stock Exchange composite tape, and distributions per share declared for the quarters indicated are as follows:

	High	Low	Distributions
2008 Quarters:			
First	$ 54.65	$ 42.18	$ 0.70
Second	55.35	44.08	0.70
Third	54.87	41.79	0.70
Fourth	44.95	18.96	0.70
2007 Quarters:			
First	$ 79.26	$ 68.09	$ 0.69
Second	75.32	66.97	0.69
Third	68.74	54.96	0.69
Fourth	66.82	45.78	0.69

5-Year Performance
Key Market Indices

This graph assumes the investment of $100 on December 31, 2003 and quarterly reinvestments of dividends. [Source: NAREIT]

As of February 17, 2009, there were 659 shareholders of record and approximately 22,500 beneficial owners of our common shares.

The following table summarizes repurchases of our equity securities during the quarter ended December 31, 2008:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program (1)
Month ended October 31, 2008		$		**$ 269,869,000**
Month ended November 30, 2008	4,400	22.97	4,400	**269,768,097**
Month ended December 31, 2008				**269,768,097**
Total (2)	**4,400**	**$ 22.97**	**4,400**	

(1) In April 2007, our Board of Trust Managers approved a program to

repurchase up to $250.0 million of our common equity securities through open market purchases and privately negotiated transactions. In January 2008, our Board of Trust Managers approved the repurchase of up to an additional $250.0 million of our common equity securities.

(2) From April 2007 through December 31, 2008, we repurchased approximately 4.3 million common shares for cash totaling approximately $230.2 million, or $53.56 average price per share.

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Item 6. Selected Financial Data

The following table provides selected financial data relating to our historical financial condition and results of operations as of and for each of the years ending December 31, 2004 through 2008. This data should be read in conjunction with Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes. Prior year amounts have been reclassified for discontinued operations.

COMPARATIVE SUMMARY OF SELECTED FINANCIAL AND PROPERTY DATA

	Year Ended December 31,				
(in thousands, except per share amounts and property data)	**2008**	**2007**	**2006**	**2005(e)**	**2004**
Operating Data (a)					
Total property revenues	$ 624,016	$ 588,319	$ 561,029	$ 485,696	$ 347,174
Total property expenses	238,915	217,350	210,621	184,566	138,700
Total non-property income (loss)	(19,540)	25,002	35,530	50,912	27,884
Total other expenses	331,278	339,548	345,908	338,520	206,022
Income (loss) from continuing operations	(13,705)	41,721	119,953	147,022	18,815
Net income	70,973	148,457	232,846	199,086	41,341
Income (loss) from continuing operations per share					
Basic	$ (0.25)	$ 0.72	$ 2.12	$ 2.83	$ 0.45
Diluted	(0.25)	0.71	2.06	2.64	0.44
Net income per share					
Basic	$ 1.28	$ 2.55	$ 4.11	$ 3.83	$ 1.00
Diluted	1.28	2.51	3.96	3.58	0.98
Distributions declared per common share	$ 2.80	$ 2.76	$ 2.64	$ 2.54	$ 2.54
Balance Sheet Data (at end of year)					
Total real estate assets, at cost	$ 5,491,593	$ 5,527,403	$ 5,141,467	$ 5,039,007	$ 3,159,077
Total assets	4,730,342	4,890,760	4,586,050	4,487,799	2,629,364
Notes payable	2,832,396	2,828,095	2,330,976	2,633,091	1,576,405
Minority interests	187,787	219,952	223,511	221,023	159,567
Shareholders equity	1,411,494	1,531,313	1,734,356	1,370,903	738,515
Other Data					
Cash flows provided by (used in):					
Operating activities	$ 216,958	$ 223,106	$ 231,569	$ 200,845	$ 156,997
Investing activities	(37,374)	(346,798)	(52,067)	(207,561)	(65,321)
Financing activities	(173,074)	123,555	(180,044)	6,039	(92,780)
Funds from operations diluted (b)	169,585	227,153	237,790	195,290	143,669
Property Data					
Number of operating properties (at the end of year) (c)	181	182	186	191	144
Number of operating apartment homes (at end of year) (c)	62,903	63,085	63,843	65,580	51,456
Number of operating apartment homes (weighted average) (c)(d)	51,277	53,132	55,850	55,056	47,118
Weighted average monthly total property revenue per apartment home	$ 1,055	$ 1,025	$ 970	$ 888	$ 792
Properties under development (at end of period)	5	11	11	9	3

(a) Excludes discontinued operations.

(b) Management considers Funds from Operations (FFO) to be an appropriate measure of the financial performance of an equity REIT. The National Association of Real Estate Investment Trusts (NAREIT) currently defines FFO as net income (computed in accordance with accounting principles generally accepted in the United States of America (GAAP)), excluding gains (or losses) associated with the sale of previously depreciated operating properties, real estate depreciation and amortization, and adjustments for unconsolidated joint ventures. Our calculation of diluted FFO also assumes conversion of

all potentially dilutive securities, including minority interests, which are convertible into common shares. We consider FFO to be an appropriate supplemental measure of operating performance because, by excluding gains or losses on dispositions of operating properties and excluding depreciation, FFO can assist in the comparison of the operating performance of a company s real estate between periods or as compared to different companies.

(c) Includes discontinued operations.

(d) Excludes apartment homes owned in joint ventures.

(e) The 2005 results include the operations of Summit Properties Inc. subsequent to

February 28, 2005.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and notes appearing elsewhere in this report. Historical results and trends which might appear in the consolidated financial statements should not be interpreted as being indicative of future operations.

We consider portions of this report to be forward-looking within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, both as amended, with respect to our expectations for future periods. Forward-looking statements do not discuss historical fact, but instead include statements related to expectations, projections, intentions, or other items relating to the future; forward-looking statements are not guarantees of future performances, results, or events. Although we believe the expectations reflected in our forward-looking statements are based upon reasonable assumptions, we can give no assurance our expectations will be achieved. Any statements contained herein which are not statements of historical fact should be deemed forward-looking statements. Reliance should not be placed on these forward-looking statements as they are subject to known and unknown risks, uncertainties, and other factors beyond our control and could differ materially from our actual results and performance.

Factors that may cause our actual results or performance to differ materially from those contemplated by forward-looking statements include, but are not limited to, the following:

Volatility in capital and credit markets could adversely impact us;

We could be negatively impacted by the condition of Fannie Mae or Freddie Mac;

Unfavorable changes in economic conditions could adversely impact occupancy or rental rates;

We face risks associated with land holdings;

Difficulties of selling real estate could limit our flexibility;

Compliance or failure to comply with laws requiring access to our properties by disabled persons could result in substantial cost;

Competition could limit our ability to lease apartments or increase or maintain rental income;

Development and construction risks could impact our profitability;

Our acquisition strategy may not produce the cash flows expected;

Competition could adversely affect our ability to acquire properties;

Losses from catastrophes may exceed our insurance coverage;

Investments through joint ventures and partnerships involve risks not present in investments in which we are the sole investor;

We face risks associated with investments in and management of discretionary funds;

We depend on our key personnel;

Changes in laws and litigation risks could affect our business;

Tax matters, including failure to qualify as a REIT, could have adverse consequences;

Insufficient cash flows could limit our ability to make required payments for debt obligations or pay distributions to shareholders;

We have significant debt, which could have important adverse consequences;

We may be unable to renew, repay, or refinance our outstanding debt;

Variable rate debt is subject to interest rate risk;

We may incur losses on interest rate hedging arrangements;

Issuances of additional debt or equity may adversely impact our financial condition;

Failure to maintain current credit ratings could adversely affect our cost of funds, related margins, liquidity, and access to capital markets;

Share ownership limits and our ability to issue additional equity securities may prevent takeovers beneficial to shareholders;

Our share price will fluctuate; and

We may reduce dividends on our equity securities or elect to pay a portion of the dividend in common shares.

These forward-looking statements represent our estimates and assumptions as of the date of this report, and we assume no obligation to update or supplement forward-looking statements because of subsequent events.

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Unless the context requires otherwise, we, our, us, and the Company, refer to Camden Property Trust and Camd
consolidated subsidiaries and partnerships, collectively.

Executive Summary

Our fiscal year 2008 results reflect the challenges the multifamily industry faced during the year. During fiscal year 2008, the factors adversely affecting demand for and rents received in our multifamily communities became more intense and pervasive across the United States. As a result, the already difficult conditions within the industry became progressively more challenging. High inventory levels of single-family homes and condominiums in the markets in which we operate, overall weak consumer confidence, and fears of a prolonged recession, among other factors, have persisted throughout fiscal year 2008. The effects of these factors have been further magnified by credit tightening in the financial markets, increasing home foreclosures, and severe shortages of liquidity in the financial markets.

Based on our results for fiscal year 2008, the deteriorating market conditions discussed above, and our belief these conditions may not improve quickly, we expect negative growth in property revenues during fiscal year 2009. Current factors which may negatively affect our future performance include recent and expected future job losses, liquidity disruptions in the capital markets, recessionary concerns, uncertainty in the financial markets, and a continued oversupply of single-family homes and condominiums in many of the markets in which we operate. However, positive impacts on our performance may result from reductions in the U.S. home ownership rate, more stringent lending criteria for prospective home-buyers, and long-term growth prospects for population, employment, and household formations in our markets, although there can be no assurance any of these factors will continue or will positively impact our operating results.

Due to the instability experienced during the current economic downturn, we believe the timing of an economic recovery is unclear and these conditions may not improve quickly. Our near term primary focus is to strengthen our capital and liquidity position by selectively disposing of properties, controlling and reducing construction and overhead costs, generating positive cash flows from operations, and reducing outstanding debt and leverage ratios.

We intend to continue to look for opportunities to acquire existing communities through our investment in and management of discretionary investment funds. Until the earlier of (i) December 31, 2011 or (ii) such time as 90% of its committed capital is invested, subject to two one-year extensions, the Fund and the Co-Investment Vehicle will be our exclusive investment vehicles for acquiring fully developed multifamily properties, subject to certain exceptions.

Our portfolio of apartment communities is geographically diverse, which we believe mitigates risks such as changes in demographics or job growth which may occur within individual markets, although may not mitigate such risks with respect to more wide spread economic declines. In the long term, we also intend to continue focusing on our development pipeline which currently contains twelve properties in various stages of construction, lease-up, and pre-development. The commencement of future developments has and may continue to be impacted by macroeconomic issues, increasing construction costs, and other factors. We expect decreasing levels of development activity in 2009 as compared to prior years.

We review our assets for impairment on an annual basis or whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Our impairment evaluations reflected our expectation of continued and increased challenges in the development of future multifamily communities, our belief these challenges will persist for some time, and our decision to not continue with five future development projects. Based on our evaluations, we recorded significant impairment charges in the fourth quarter to our land valuations, which materially affected our operating results during fiscal year 2008. Land valuations may continue to have significant fluctuations due to, among other things, the current economic environment and, as a result, there can be no assurance we will not have further impairments in the future.

The continuation of the current economic environment and capital market disruptions have and could continue to have a negative impact on us and adversely affect our future results of operations.

Property Portfolio

Our multifamily property portfolio, excluding land and joint venture properties which we do not manage, is summarized as follows:

	December 31, 2008		December 31, 2007	
	Apartment Homes	Properties	Apartment Homes	Properties
Operating Properties				
Las Vegas, Nevada	8,016	29	8,064	30
Houston, Texas	6,620	16	6,346	15
Dallas, Texas	6,119	15	7,225	18
Washington, D.C. Metro	5,702	16	4,525	13
Tampa, Florida	5,503	12	5,503	12
Charlotte, North Carolina	3,574	15	3,574	15
Orlando, Florida	3,557	9	3,296	8
Atlanta, Georgia	3,202	10	3,202	10
Raleigh, North Carolina	2,704	7	2,704	7
Southeast Florida	2,520	7	2,520	7
Los Angeles/Orange County, California	2,481	6	2,191	5
Phoenix, Arizona	2,433	8	2,433	8
Denver, Colorado	2,171	7	2,529	8
Austin, Texas	2,106	7	2,778	9
San Diego/Inland Empire, California	1,196	4	1,196	4
Other	4,999	13	4,999	13
Total Operating Properties	62,903	181	63,085	182
Properties Under Development				
Houston, Texas	712	3	733	3
Washington, D.C. Metro	366	1	1,543	4
Austin, Texas	348	1	556	2
Los Angeles/Orange County, California			290	1
Orlando, Florida			261	1
Total Properties Under Development	1,426	5	3,383	11
Total Properties	64,329	186	66,468	193
Less: Joint Venture Properties *(1)*				
Las Vegas, Nevada	4,047	17	4,047	17
Houston, Texas *(2)*	2,199	7	1,946	6
Phoenix, Arizona	992	4	992	4
Los Angeles/Orange County, California	711	2	711	2
Austin, Texas	601	2		
Washington, D.C. Metro	508	1	508	1
Dallas, Texas	456	1	456	1
Denver, Colorado	320	1	320	1
Other	3,237	9	3,237	9

Total Joint Venture Properties	13,071	44	12,217	41
Total Properties Owned 100%	51,258	142	54,251	152

(1) *Refer to Note 7, Investments in Joint Ventures, in the Notes to Consolidated Financial Statements for further discussion of our joint venture investments.*

(2) *Figures for 2008 include Camden Travis Street, a fully-consolidated joint venture, of which we retain a 25% ownership.*

Stabilized Communities

We generally consider a property stabilized once it reaches 90% occupancy. During the year ended December 31, 2008, stabilization was achieved at five recently completed properties as follows:

Property and Location	Number of Apartment Homes	Date of Completion	Date of Stabilization
Camden Old Creek *San Marcos, CA*	350	1Q07	1Q08
Camden Monument Place *Fairfax, VA*	368	4Q07	2Q08
Camden Plaza joint venture *Houston, TX*	271	3Q07	2Q08
City Centre *Houston, TX*	379	4Q07	3Q08
Camden Royal Oaks *Houston, TX*	236	3Q06	4Q08

Partial Sales and Dispositions to Joint Ventures Included in Continuing Operations

In March 2008, we sold Camden Amber Oaks, a development community in Austin, Texas, to the Fund for approximately $8.9 million. No gain or loss was recognized on the sale. Concurrent with the transaction, we invested approximately $1.9 million in the Fund. In August 2008, we sold Camden South Congress to the Fund for approximately $44.2 million and recognized a gain of approximately $1.8 million on the sale. In conjunction with the transaction, we invested approximately $2.8 million in the Fund.

There were no partial sales or dispositions to joint ventures for the year ended December 31, 2007.

During the year ended December 31, 2006, we recognized gains of approximately $91.5 million from the partial sale of nine properties to an affiliated unconsolidated joint venture. This partial sale generated net proceeds of approximately $170.9 million. The gains recognized on the partial sales of these assets were included in continuing operations as we retained a partial interest in the ventures which own these assets. We also recognized gains of approximately $0.5 million and $4.7 million on the partial sales of land to two joint ventures located in Houston, Texas and College Park, Maryland, respectively. The gains recognized on the sales of these assets were included in continuing operations as we retained a partial interest in the ventures which own these assets. We recognized an additional gain of approximately $0.8 million on the sale of land located adjacent to one of our pre-development assets in College Park, Maryland. The gain on this sale was not included in discontinued operations as the operations and cash flows of these assets were not clearly distinguished, operationally or for reporting purposes, from the adjacent assets.

Discontinued Operations and Assets Held for Sale

We intend to maintain a long-term strategy of managing our invested capital through the selective sale of properties and to utilize the proceeds to reduce our outstanding debt and leverage ratios and fund investments with higher anticipated growth prospects in our markets. Income from discontinued operations includes the operations of properties, including land, sold during the period or classified as held for sale as of December 31, 2008. The components of earnings classified as discontinued operations include separately identifiable property-specific revenues, expenses, depreciation, and interest expense, if any. The gain on the disposal of the held for sale properties is also classified as discontinued operations.

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A summary of our 2008 dispositions and properties held for sale as of December 31, 2008 is as follows:

Property and Location	Number of Apartment Homes	Date of Disposition	Year Built
Dispositions			
Camden Ridgeview *Austin, TX*	167	1Q08	1984
Camden Towne Village *Mesquite, TX*	188	2Q08	1983
Oasis Sands *Las Vegas, NV*	48	2Q08	1994
Camden Lakeview *Irving, TX*	476	3Q08	1985
Camden Arbors *Westminster, CO*	358	3Q08	1986
Camden Woodview *Austin, TX*	283	3Q08	1984
Camden Briar Oaks *Austin, TX*	430	3Q08	1980
Camden Place *Mesquite, TX*	442	3Q08	1984
Held for Sale			
Camden West Oaks *Houston, TX*	671	n/a	1982
Total apartment homes sold and held for sale	3,063		

During the year ended December 31, 2008, we received net proceeds of approximately $121.7 million and recognized gains of approximately $80.2 million from the sale of the eight operating properties listed above to unaffiliated third parties. During the year ended December 31, 2007, we received net proceeds of approximately $166.4 million and recognized gains of approximately $106.3 million from the sale of ten operating properties, containing 3,054 apartment homes, to unaffiliated third parties. During the year ended December 31, 2006, we received net proceeds of approximately $137.3 million and recognized a gain of approximately $78.8 million on the sale of eight operating properties, containing 3,041 apartment homes, to unaffiliated third parties.

During the year ended December 31, 2008, we recognized gains of approximately $1.1 million from the sale of land adjacent to our regional office in Las Vegas, Nevada. The gain on this sale was not included in discontinued operations as the operations and cash flows of this asset were not clearly distinguished, operationally or for reporting purposes, from the adjacent assets.

Upon our decision to abandon efforts to develop certain land parcels and to market these parcels for sale, we reclassify the operating expenses associated with these assets to discontinued operations. At December 31, 2008, we had undeveloped land parcels classified as held for sale as follows:

($ in millions) Location	Acres	Net Book Value
Southeast Florida	2.2	$ 7.4

Dallas	2.4	1.8
Total land held for sale	$	9.2

There were no sales of undeveloped land during the year ended December 31, 2008. During the year ended December 31, 2007, we sold undeveloped land totaling approximately 0.9 acres to unrelated third parties. In connection with these sales, we received net proceeds of approximately $6.0 million and recognized gains totaling approximately $0.7 million. During the year ended December 31, 2006, we sold undeveloped land totaling approximately 8.7 acres to unrelated third parties. In connection with these sales, we received net proceeds of approximately $41.0 million and recognized gains totaling approximately $20.5 million.

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Development and Lease-Up Properties

At December 31, 2008, we had five completed consolidated properties in lease-up as follows:

($ in millions) **Property and Location**	**Number of Apartment Homes**	**Cost Incurred**	**% Leased at 2/15/09**	**Date of Completion**	**Estimated Date of Stabilization**
Camden Potomac Yard *Arlington, VA*	378	$ 104.5	73%	2Q08	4Q09
Camden Orange Court *Orlando, FL*	261	45.5	65%	2Q08	3Q09
Camden Summerfield *Landover, MD*	291	62.6	78%	2Q08	4Q09
Camden Cedar Hills *Austin, TX*	208	23.6	88%	4Q08	2Q09
Camden Whispering Oaks *Houston, TX*	274	27.3	80%	4Q08	3Q09
Total	1,412	$ 263.5	76%		

At December 31, 2008, we had two consolidated properties under construction as follows:

($ in millions) **Property and Location**	**Number of Apartment Homes**	**Estimated Cost**	**Cost Incurred**	**Included in Properties Under Development**	**Estimated Date of Completion**	**Estimated Date of Stabilization**
Camden Dulles Station *Oak Hill, VA*	366	$ 77.0	$ 71.4	$ 14.4	1Q09	3Q10
Camden Travis Street (a) *Houston, TX*	253	39.0	9.3	9.3	1Q10	3Q10
Total	619	$ 116.0	$ 80.7	$ 23.7		

(a) *Camden Travis Street is owned in a fully-consolidated joint venture, of which we retain a 25% ownership.*

Our consolidated balance sheet at December 31, 2008 included approximately $264.2 million related to properties under development and land. Of this amount, approximately $23.7 million related to projects currently under construction. Additionally, at December 31, 2008, we had approximately $184.3 million invested in land for projects

we may begin constructing in the future and approximately $56.2 million invested primarily in land tracts in which future development activities have been put on hold.

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At December 31, 2008, we had investments in non-consolidated joint ventures which were developing the following multifamily communities:

($ in millions) Property and Location	Ownership %	Number of Apartment Homes	Estimated Cost	Total Cost Incurred
Completed Communities *(1)*				
Camden Main & Jamboree *Irvine, CA*	30%	290	N/A	$ 110.1
Camden College Park *College Park, MD*	30%	508	N/A	125.3
Completed Communities Total		798		$ 235.4
Under Construction				
Braeswood Place *(1) (2)* *Houston, TX*	30%	340	$ 48.6	$ 41.1
Belle Meade *(2)* *Houston, TX*	30%	119	33.2	20.0
Camden Amber Oaks *(1)* *Austin, TX*	20%	348	40.0	32.6
Under Construction Total		807	$ 121.8	$ 93.7
Pre-Development *(3)*		**Total Acres**		
Lakes at 610 *Houston, TX*	30%	6.1	N/A	$ 6.4
Town Lake *Austin, TX*	72%	25.9	N/A	37.9
Pre-Development Total		32.0		$ 44.3

(1) Properties in lease-up as of December 31, 2008.

(2) Properties being developed by joint venture partner.

(3) *Properties in pre-development by joint venture partner.*

Refer to Note 7, Investments in Joint Ventures in the Notes to Consolidated Financial Statements for further discussion of our joint venture investments.

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Geographic Diversification

At December 31, 2008 and 2007, our investments in various geographic areas, excluding depreciation, investments in joint ventures, and properties held for sale, were as follows:

(in thousands)	2008		2007	
Washington, D.C. Metro	$ 1,219,866	22.4%	$ 1,196,451	21.8%
Southeast Florida	446,629	8.2	444,645	8.1
Houston, Texas	377,041	6.9	374,177	6.8
Dallas, Texas	337,890	6.2	372,075	6.8
Tampa, Florida	386,816	7.1	370,379	6.7
Los Angeles/Orange County, California	330,849	6.1	346,452	6.3
Orlando, Florida	364,379	6.7	336,768	6.1
Atlanta, Georgia	319,047	5.8	316,733	5.8
Las Vegas, Nevada	321,782	5.9	314,609	5.7
Charlotte, North Carolina	316,387	5.8	312,760	5.7
Raleigh, North Carolina	237,023	4.3	235,263	4.3
San Diego/Inland Empire, California	226,556	4.1	225,769	4.1
Austin, Texas	159,897	2.9	221,807	4.1
Denver, Colorado	186,292	3.4	202,962	3.7
Phoenix, Arizona	118,003	2.2	117,092	2.1
Other	107,377	2.0	105,742	1.9
Total	$ 5,455,834	100.0%	$ 5,493,684	100.0%

Results of Operations

Changes in revenues and expenses related to our operating properties from period to period are due primarily to the performance of stabilized properties in the portfolio, the lease-up of newly constructed properties, acquisitions, and dispositions. Where appropriate, comparisons of income and expense on communities included in continuing operations are made on a dollars-per-weighted average apartment home basis in order to adjust for such changes in the number of apartment homes owned during each period. Selected weighted averages for the years ended December 31 are as follows:

	2008	2007	2006
Average monthly property revenue per apartment home	$ 1,055	$ 1,025	$ 970
Annualized total property expenses per apartment home	$ 4,845	$ 4,544	$ 4,370
Weighted average number of operating apartment homes owned 100%	49,312	47,832	48,200
Weighted average occupancy of operating apartment homes owned 100%	93.8%	93.7%	95.1%

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Property-level operating results

The following tables present the property-level revenues and property-level expenses, excluding discontinued operations, for the year ended December 31, 2008 as compared to 2007 and for the year ended December 31, 2007 as compared to 2006:

($ in thousands)	Apartment Homes at 12/31/08	Year Ended December 31, 2008	Year Ended December 31, 2007	Change $	Change %
Property revenues					
Same store communities	40,340	$ 498,875	$ 491,736	$ 7,139	1.5%
Non-same store communities	8,469	108,184	88,925	19,259	21.7
Development and lease-up communities	2,031	9,444	81	9,363	*
Dispositions/other		7,513	7,577	(64)	(0.8)
Total property revenues	50,840	$ 624,016	$ 588,319	$ 35,697	6.1%
Property expenses					
Same store communities	40,340	$ 188,644	$ 180,277	$ 8,367	4.6%
Non-same store communities	8,469	40,395	33,444	6,951	20.8
Development and lease-up communities	2,031	5,694	140	5,554	*
Dispositions/other		4,182	3,489	693	19.9
Total property expenses	50,840	$ 238,915	$ 217,350	$ 21,565	9.9%

* *Not a meaningful percentage*

Same store communities are communities we owned and were stabilized as of January 1, 2007. Non-same store communities are stabilized communities we have acquired, developed, or re-developed after January 1, 2007. Development and lease-up communities are non-stabilized communities we have acquired or developed after January 1, 2007.

	Apartment Homes at 12/31/07	Year Ended December 31, 2007	Year Ended December 31, 2006	Change $	Change %
Property revenues					
Same store communities	39,417	$ 479,015	$ 460,758	$ 18,257	4.0%
Non-same store communities	8,312	96,372	75,448	20,924	27.7
Development and lease-up communities	3,459	8,473	508	7,965	*
Dispositions/other		4,459	24,315	(19,856)	(81.7)
Total property revenues	51,188	$ 588,319	$ 561,029	$ 27,290	4.9%

Property expenses					
Same store communities	39,417	$ 175,189	$ 171,320	$ 3,869	2.3%
Non-same store communities	8,312	35,488	27,392	8,096	29.6
Development and lease-up communities	3,459	4,726	532	4,194	*
Dispositions/other		1,947	11,377	(9,430)	(82.9)
Total property expenses	51,188	$ 217,350	$ 210,621	$ 6,729	3.2%

* *Not a meaningful percentage*

Same store communities are communities we owned and were stabilized as of January 1, 2006. Non-same store communities are stabilized communities we have acquired, developed, or re-developed after January 1, 2006. Development and lease-up communities are non-stabilized communities we have developed or acquired after January 1, 2006.

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Same store analysis

Our same store property revenues for the year ended December 31, 2008 increased approximately $7.1 million, or 1.5%, from 2007 resulting primarily from increases in other property income, partially offset by a decline in rental revenues due to slight declines in average occupancy and average rental rates for our same store portfolio. Same store property revenues for the year ended December 31, 2007 increased approximately $18.3 million, or 4.0%, from 2006 primarily from increases in other property income and higher average rental income per apartment home, partially offset by declines in occupancy.

Same store property revenues for 2008 as compared to 2007 were positively impacted by increases in other property income due to the continued implementation of the Perfect Connection (also known as CamdenTV) in 2008, which provides cable services to our residents, and other utility rebilling programs. The increase in other property income was partially offset by a decrease in average rental rates, as we experienced rental rate decreases primarily as a result of the challenges we and the multifamily industry faced throughout the year, which are discussed in detail in the Executive Summary. Average total occupancy at our same store properties declined in 2008 as we experienced decreases in occupancy in a majority of our markets. We believe our operating performance during the current market environment benefited from the continued operational and technological enhancements we are making at many of our communities, which have created opportunities to take advantage of additional revenue sources.

Same store property revenues for 2007 as compared to 2006 were positively impacted by increases in revenues in substantially all markets. These revenue increases were driven by other property income which increased due to the implementation of Perfect Connection, and other utility rebilling programs. Our same store communities recognized an overall increase in average rental rates, and we experienced rental rate increases in all markets. The increase in average rental rates in 2007 was a result of moderate improvements in fundamentals such as job growth, population growth, and household formations. Average occupancy at our same store properties declined less than 1% in 2007, as we had slight decreases in occupancy in a majority of our markets.

Total property expenses from our same store communities increased approximately $8.4 million, or 4.6%, and approximately $3.9 million, or 2.3%, for the year ended December 31, 2008 as compared to 2007 and for the year ended December 31, 2007 as compared to 2006, respectively. The increases in same store property expenses per apartment home of $207 for the year ended December 31, 2008 as compared to 2007 were primarily due to increases in utility expenses in connection with our utility rebilling programs and real estate taxes. Real estate taxes increased primarily due to increases in appraisals and taxation rates. The increase for the year ended December 31, 2007 as compared to 2006 was primarily due to increases in repair and maintenance costs as well as utility expenses in connection with our utility rebilling programs.

Non-same store analysis and other analysis

Property revenues from non-same store and development and lease-up communities increased approximately $28.6 million for the year ended December 31, 2008 as compared to 2007 and increased approximately $28.9 million for the year ended December 31, 2007 as compared to 2006. The increases in both periods were primarily due to the completion and lease-up of certain properties in our development pipeline as well as property acquisitions in 2007 and 2006. See Development and Lease-Up Properties for additional detail of occupancy at properties in our development pipeline.

Property expenses from non-same store and development and lease-up communities increased approximately $12.5 million for the year ended December 31, 2008 as compared to 2007 and approximately $12.3 million for 2007 as compared to 2006. The increases in both periods were due to the completion and lease-up of properties in our development pipeline as well as acquisitions completed in 2007 and 2006.

Property revenues from dispositions/other decreased approximately $0.1 million and approximately $19.9 million for the year ended December 31, 2008 as compared to 2007 and for the year ended December 31, 2007 as compared to 2006, respectively. The decrease for the year ended December 31, 2007 primarily related to properties partially sold to joint ventures.

Property expenses from dispositions/other increased approximately $0.7 million and decreased approximately $9.4 million for the year ended December 31, 2008 as compared to 2007 and for the year ended December 31, 2007 as compared to 2006, respectively. The increase for the year ended December 31, 2008 as compared to December 31,

2007 primarily related to insurance costs related to Hurricane Ike. Refer to Note 14, Commitments and Contingencies, in the Notes to Consolidated Financial Statements for further discussion. The decrease for the year ended December 31, 2007 as compared to December 31, 2006 primarily related to properties partially sold to joint ventures.

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Non-property income

($ in thousands)	Year Ended December 31, 2008	2007	Change $	%	Year Ended December 31, 2007	2006	Change $	%
Fee and asset management	$ 9,167	$ 8,293	$ 874	10.5%	$ 8,293	$ 14,041	$ (5,748)	(40.9)%
Sale of technology investments		623	(623)	(100.0)	623	1,602	(979)	(61.1)
Interest and other income	4,736	8,804	(4,068)	(46.2)	8,804	9,771	(967)	(9.9)
Income (loss) on deferred compensation plans	(33,443)	7,282	(40,725)	*	7,282	10,116	(2,834)	(28.0)
Total non-property income (loss)	$ (19,540)	$ 25,002	$ (44,542)	(178.2)%	$ 25,002	$ 35,530	$ (10,528)	(29.6)%

* *Not a meaningful percentage*

Fee and asset management income, which represents income related to third-party construction and development projects and property management, for the year ended December 31, 2008 increased approximately $0.9 million as compared to 2007 and decreased approximately $5.7 million for the year ended December 31, 2007 as compared to 2006. Growth was relatively flat for 2008 as compared to 2007 due to decreased third-party construction activities in 2008, partially offset by increases in management fees earned from the Fund. The decrease in 2007 as compared to 2006 was primarily due to increased fees earned from joint ventures and third-party construction and development projects in 2006 as compared to 2007 as these 2006 projects were winding down in 2007 and were not replaced with additional projects.

Interest and other income decreased approximately $4.1 million for 2008 as compared to 2007 and decreased approximately $1.0 million for 2007 as compared to 2006. Interest income, which primarily relates to interest earned on notes receivable outstanding under our mezzanine financing program, decreased approximately $0.8 million for 2008 as compared to 2007 and increased approximately $0.6 million for 2007 as compared to 2006. The decrease for 2008 as compared to 2007 was primarily due to contractual reductions in interest rates related to mezzanine loans for development communities which have reached stabilization, reductions in interest earned on variable rate notes due to reductions in the London Interbank Offered Rate (LIBOR), and principal payments received in 2008. The increase for 2007 as compared to 2006 was primarily due to new notes issued during the latter part of 2006 of approximately $9.1 million. Other income decreased approximately $3.3 million for 2008 as compared to 2007 and decreased approximately $1.6 million for 2007 as compared to 2006. Other income primarily represents income recognized upon the settlement of legal, insurance and warranty claims, and contract disputes. In 2007, other income included approximately $3.3 million related to settlement of a contract dispute.

Income on deferred compensation plans decreased approximately $40.7 million during the year ended December 31, 2008 as compared to 2007 and decreased approximately $2.8 million during the year ended December 31, 2007 as compared to 2006. The changes in income primarily related to the performance of the assets held in the deferred compensation plans for plan participants, which is subject to fluctuations in the financial markets.

Other expenses

($ in thousands)	**Year Ended December 31, 2008**	**2007**	**Change $**	**%**	**Year Ended December 31, 2007**	**2006**	**Change $**	**%**
Property management	$ 19,910	$ 18,413	$ 1,497	8.1%	$ 18,413	$ 18,490	$ (77)	(0.4)%
Fee and asset management	6,054	4,552	1,502	33.0	4,552	9,382	(4,830)	(51.5)
General and administrative	31,586	32,590	(1,004)	(3.1)	32,590	37,584	(4,994)	(13.3)
Interest	132,399	115,753	16,646	14.4	115,753	117,348	(1,595)	(1.4)
Depreciation and amortization	171,814	157,297	14,517	9.2	157,297	149,206	8,091	5.4
Amortization of deferred financing costs	2,958	3,661	(703)	(19.2)	3,661	3,782	(121)	(3.2)
Expense (benefit) on deferred compensation plans	(33,443)	7,282	(40,725)	*	7,282	10,116	(2,834)	(28.0)
Total non-property expenses	$ 331,278	$ 339,548	$ (8,270)	(2.4)%	$ 339,548	$ 345,908	$ (6,360)	(1.8)%

* *Not a meaningful percentage*

Property management expense, which represents regional supervision and accounting costs related to property operations, increased approximately $1.5 million for the year ended December 31, 2008 as compared to 2007 and decreased approximately $0.1 million for 2007 as compared to 2006. Property management expenses were 3.2%, 3.1%, and 3.3% of total property revenues for the years ended December 31, 2008, 2007, and 2006, respectively.

Fee and asset management expense, which represents expenses related to third-party construction and development projects and property management, increased approximately $1.5 million for 2008 as compared to 2007 and decreased approximately $4.8 million for 2007 as compared to 2006. The increase for 2008 as compared to 2007 was primarily attributable to increased costs associated with the Fund partially offset by decreases in our third-party construction activities. The decrease for 2007 as compared to 2006 is primarily attributable to decreased third-party activities, offset by costs associated with the Fund which was formed in the latter part of 2007.

General and administrative expenses decreased approximately $1.0 million during the year ended December 31, 2008 as compared to 2007 and decreased approximately $5.0 million during the year ended December 31, 2007 as compared to 2006, and were 5.0%, 5.4%, and 6.4% of total revenues, excluding income or loss on deferred compensation plans, for the years ended December 31, 2008, 2007, and 2006, respectively. The decreases in general and administrative expenses for the year ended December 31, 2008 as compared to 2007 and for December 31, 2007 as compared to 2006 were primarily due to decreases in salaries, incentive compensation, and legal expenses. Additionally, during 2006, an aggregate of 76,542 share awards that otherwise would have vested from time to time over the next five years became immediately exercisable. By accelerating the vesting of these share awards, we recognized a one-time expense of approximately $4.2 million for the year ended December 31, 2006.

Interest expense for the year ended 2008 increased approximately $16.6 million as compared to 2007 primarily due to the repurchase of common shares using debt proceeds, the timing of refinancing portions of our long-term indebtedness at higher rates, and decreased capitalized interest, partially offset by decreased amounts outstanding on our line of credit, our repurchases and early retirement of outstanding debt, and a decline in interest rates on our floating rate debt, Refer to Note 9, Notes Payable, in the Notes to Consolidated Financial Statements for further discussion of our debt repurchases and retirements. Interest expense for the year ended 2007 decreased approximately $1.6 million as compared to 2006. Factors contributing to the decrease in interest expense in 2007 as compared to 2006 include repayment of debt from proceeds received from our July 2006 equity offering, property dispositions during both periods, and interest adjustments related to tax liabilities. Partially offsetting this decrease was interest incurred on debt used to repurchase our common shares during 2007. While our average debt level outstanding during 2007 increased slightly as compared to 2006, we continued to fund construction costs associated with our development pipeline, increasing interest capitalized by approximately $2.0 million in 2007 as compared to 2006.

Depreciation and amortization expense increased approximately $14.5 million during the year ended December 31, 2008 as compared to 2007 and increased approximately $8.1 million during the year ended December 31, 2007 as compared to 2006. The increases were primarily due to an increased level of new development and capital improvements placed in service each year as compared to the previous year, partially offset by dispositions.

Amortization of deferred financing costs decreased $0.7 million and $0.1 million during the years ended December 31, 2008, and 2007, respectively. The decrease for fiscal year 2008 was due to certain deferred financing costs becoming fully amortized.

Expense on deferred compensation plans decreased approximately $40.7 million during the year ended December 31, 2008 as compared to 2007 and decreased approximately $2.8 million during the year ended December 31, 2007 as compared to 2006. The changes in expense primarily related to the performance of the assets held in the deferred compensation plans for plan participants, which is subject to fluctuations in the financial markets.

Other

	Year Ended December 31,		**Change**		**Year Ended December 31,**		**Change**	
($ in thousands)	**2008**	**2007**	**$**	**%**	**2007**	**2006**	**$**	**%**
Gain on sale of properties, including land	$ 2,929	$	$ 2,929	100.0%	$	$ 97,452	$ (97,452)	(100.0)%
Gain on early retirement of debt	13,566		13,566	100.0				

Impairment loss on land	(51,323)	(1,447)	(49,876)	*	(1,447)		(1,447)	(100.0)
Equity in income (loss) of joint ventures	(1,265)	1,526	(2,791)	(182.9)	1,526	5,156	(3,630)	(70.4)
Distributions on perpetual preferred units	(7,000)	(7,000)			(7,000)	(7,000)		
Income allocated to common units and other minority interests	(4,052)	(4,729)	677	14.3	(4,729)	(15,685)	10,956	69.9
Income tax expense current	(843)	(3,052)	2,209	72.4	(3,052)		(3,052)	(100.0)

* *Not a meaningful percentage*

Gain on sale of properties, including land, totaled approximately $2.9 million for the year ended December 31, 2008 due to gains on the partial sale of properties to the Fund and a gain on the sale of a land parcel in Las Vegas, Nevada to an unaffiliated third-party. There was no gain on sale of properties, including land, for the year ended December 31, 2007. Gain on sale of properties, including land, for the year ended December 31, 2006 included gains of approximately $91.5 million from the partial sale of nine operating properties to an affiliated joint venture and approximately $5.2 million from the partial sales of land to affiliated joint ventures; also included in gain on sale of properties for the year ended December 31, 2006 was approximately $0.8 million from the sale of undeveloped land to an unaffiliated third party. See further discussion of gains associated with property dispositions in Property Portfolio.

Gain on early retirement of debt was approximately $13.6 million for the year ended December 31, 2008. These gains were the result of various repurchases and retirements of debt, and included a tender offer for certain series of outstanding debt, which resulted in the repurchase and retirement of approximately $108.3 million of debt from unrelated third parties for approximately $100.6 million. In addition to the tender offer, we repurchased and retired approximately $82.7 million of various series of other outstanding debt from unrelated third parties for approximately $75.7 million during the year ended December 31, 2008. These gains were partially offset by the proportionate share of unamortized loan costs and other costs associated with the retirement of the debt.

The impairment loss on land for the year ended December 31, 2008 of approximately $51.3 million reflects impairments in the value of land holdings for several potential development projects we no longer plan to pursue, including approximately $48.6 million related to land holdings for five projects we no longer plan to develop, approximately $1.6 million in the value of a land parcel held for future development, and approximately $1.1 million for costs capitalized for a potential joint venture development we no longer plan to pursue. The impairment loss on land for the year ended December 31, 2007 of approximately $1.4 million reflects impairment in the value of one potential development project we no longer plan to pursue. These impairment charges are the difference between each parcel s estimated fair value and the carrying value, which includes pursuit and other costs.

Equity in income (loss) of joint ventures decreased approximately $2.8 million for the year ended December 31, 2008 as compared to 2007, and decreased approximately $3.6 million for the year ended December 31, 2007 as compared to 2006. Changes from period to period were due to changes in the number of properties held through joint ventures, and the development dilution we are experiencing on the completion of units in our joint venture development pipeline, which resulted in depreciation and interest expense recorded exceeding income recognized as these properties have not reached stabilization. We recognized approximately $2.8 million of gains for our proportionate share of the sale of three properties held through a joint venture during the year ended December 31, 2006.

Income allocated to common units and other minority interests decreased approximately $0.7 million during the year ended December 31, 2008 as compared to 2007 and decreased approximately $11.0 million during the year ended December 31, 2007 as compared to 2006. Income allocated to common units in 2006 included the impact of gains recognized on the partial sale of eight properties to an affiliated joint venture during the year ended December 31, 2006. A portion of the gains recognized were allocated to minority interest holders in Camden Operating, L.P.

For the tax year ended December 31, 2008, we had current income tax expense of approximately $0.8 million. Income tax expense decreased $2.2 million for the year ended December 31, 2008 as compared to the same period in 2007, primarily attributable to less gains on property dispositions in states with high income tax rates and changes in state tax laws affecting one of our operating partnerships.

Funds from Operations (FFO)

Management considers FFO to be an appropriate measure of the financial performance of an equity REIT. The National Association of Real Estate Investment Trusts (NAREIT) currently defines FFO as net income (computed in accordance with accounting principles generally accepted in the United States of America (GAAP)), excluding gains (or losses) associated with the sale of previously depreciated operating properties, real estate depreciation and amortization, and adjustments for unconsolidated joint ventures. Our calculation of diluted FFO also assumes conversion of all potentially dilutive securities, including minority interests, which are convertible into common shares. We consider FFO to be an appropriate supplemental measure of operating performance because, by excluding gains or losses on dispositions of operating properties and excluding depreciation, FFO can help one compare the operating performance of a company s real estate between periods or as compared to different companies.

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We believe in order to facilitate a clear understanding of our consolidated historical operating results, FFO should be examined in conjunction with net income as presented in the Consolidated Statements of Income and Comprehensive Income and data included elsewhere in this report. FFO is not defined by GAAP and should not be considered as an alternative to net income as an indication of our operating performance. Additionally, FFO as disclosed by other REITs may not be comparable to our calculation.

Reconciliations of net income to diluted FFO for the years ended December 31, 2008, 2007, and 2006 are as follows:

(in thousands)	**2008**	**2007**	**2006**
Funds from operations			
Net income	$ 70,973	$ 148,457	$ 232,846
Real estate depreciation and amortization, including discontinued operations	171,009	161,064	157,233
Adjustments for unconsolidated joint ventures (1)	7,103	4,934	478
Gain on sale of properties, including land and discontinued operations, net of Taxes	(83,117)	(105,098)	(170,304)
Income allocated to common units, including discontinued operations	3,617	17,796	17,537
Funds from operations diluted	$ 169,585	$ 227,153	$ 237,790
Weighted average shares basic	55,272	58,135	56,660
Incremental shares issuable from assumed conversion of:			
Common share options and awards granted	114	482	725
Common units	3,142	3,503	3,868
Weighted average shares diluted	58,528	62,120	61,253

(1) Adjustment for 2006 includes approximately $2.8 million in gains recognized on sales of properties held in joint ventures. 2006 adjustment is net of approximately $0.5 million in prepayment penalties incurred with the repayment of mortgage

notes directly associated with the sold properties.

Liquidity and Capital Resources

Financial Condition and Sources of Liquidity

We intend to maintain a strong balance sheet and preserve our financial flexibility, which we believe should enhance our ability to identify and capitalize on investment opportunities as they become available. We intend to maintain what management believes is a conservative capital structure by:

- extending and sequencing the maturity dates of our debt where possible;
- managing interest rate exposure using what management believes to be prudent levels of fixed and floating rate debt;
- maintaining conservative coverage ratios; and
- using what management believes to be a prudent combination of debt and common and preferred equity.

Our interest expense coverage ratio, net of capitalized interest, was 2.6, 3.0, and 2.9 times for the years ended December 31, 2008, 2007, and 2006, respectively. Our interest expense coverage ratio is calculated by dividing interest expense for the period into the sum of property revenues and expenses, non-property income, other expenses, income from discontinued operations, depreciation, amortization, and interest expense. At December 31, 2008, 2007, and 2006, 78.3%, 81.6%, and 80.5%, respectively, of our properties (based on invested capital) were unencumbered. Our weighted average maturity of debt, excluding our line of credit, was 5.0 years at December 31, 2008.

Due to the instability experienced during the current economic downturn, we believe the timing of an economic recovery is unclear and these conditions may not improve quickly. Our near term primary focus is to strengthen our capital and liquidity position by selectively disposing of properties, controlling and reducing construction and overhead costs, generating positive cash flows from operations, and reducing outstanding debt and leverage ratios.

Our primary source of liquidity is cash flow generated from operations. Other sources include the availability under our unsecured credit facility and other short-term borrowings, proceeds from dispositions of properties and other investments, and access to the capital markets. We believe our liquidity and financial condition are sufficient to meet all of our reasonably anticipated cash flow needs during 2009 including:

- normal recurring operating expenses;
- current debt service requirements;
- recurring capital expenditures;
- initial funding of property developments, acquisitions, and notes receivable; and
- the minimum dividend payments required to maintain our REIT qualification under the Internal Revenue Code of 1986.

Factors which could increase or decrease our future liquidity include but are not limited to current volatility in capital and credit markets, sources of financing, completion of planned asset sales, the effect our debt level and decreases in credit ratings could have on our costs of funds and our ability to access capital markets, and changes in operating costs resulting from a weakened economy, which could also impact occupancy and rental rates and ultimately impact our planned growth of capital.

Cash Flows

Certain sources and uses of cash, such as the level of discretionary capital expenditures, repurchases of debt and common shares, and distributions paid on our equity securities are within our control and are adjusted as necessary based upon market conditions. The following is a discussion of our cash flows for the years ended December 31, 2008 and 2007.

Net cash provided by operating activities was approximately $217.0 million during the year ended December 31, 2008 as compared to approximately $223.1 million for the same period in 2007. The decrease was primarily due to increased interest payments on our levels of outstanding debt, timing of payments of trade payables and receivables, offset by growth in revenues from our same store, non-same store, and development communities.

Cash flows used in investing activities during the year ended December 31, 2008 totaled approximately $37.4 million, as compared to approximately $346.8 million during the year ended December 31, 2007. Cash outflows for property development, acquisition, and capital improvements were approximately $199.3 million during 2008 as compared to approximately $500.8 million during 2007. Proceeds received from sales of properties, sales of assets to joint ventures, joint venture distributions representing returns of investments, and sale of technology investments totaled approximately $177.1 million for the year ended December 31, 2008 as compared to approximately $178.9 million for the year ended December 31, 2007.

Net cash used in financing activities totaled approximately $173.1 million for the year ended December 31, 2008, primarily as a result of approximately $379.2 million in repayment of outstanding notes payable. The repayment consisted of approximately $100.6 million of outstanding notes payable related to our December 2008 tender offer, repurchase and retirement of approximately $75.7 million of various series of other outstanding debt, and repayment of approximately $201.9 million of maturing secured notes payable. See Note 9 of the Notes to Consolidated Financial Statements, Notes Payable, for further discussion. Net cash used in financing activities was also attributable to distributions paid to shareholders and minority interest holders of approximately $172.3 million and approximately $33.1 million of common share repurchases, offset by proceeds from notes payable and increases in our unsecured line of credit of approximately $385.9 million and $30.0 million, respectively. Net cash provided by financing activities totaled approximately $123.6 million for the year ended December 31, 2007, primarily as a result of approximately $808.0 million in proceeds from notes payable, offset by repayment of balances outstanding on our line of credit of approximately $91.0 million, payments of approximately $213.4 million related to the payoff of two senior unsecured notes and one mortgage note, approximately $200.5 million of common share repurchases, and distributions paid to shareholders and minority interest holders of approximately $178.1 million.

Financial Flexibility

We have a $600 million unsecured credit facility which matures in January 2010 and can be extended at our option through January 2011. The scheduled interest rate is based on spreads over the London Interbank Offered Rate (LIBOR) or the Prime Rate. The scheduled interest rate spreads are subject to change as our credit ratings change. Advances under the line of credit may be priced at the scheduled rates, or we may enter into bid rate loans with participating banks at rates below the scheduled rates. These bid rate loans have terms of six months or less and may not exceed the lesser of $300 million or the remaining amount available under the line of credit. The line of credit is subject to customary financial covenants and limitations, all of which we believe we are in compliance.

Our line of credit provides us with the ability to issue up to $100 million in letters of credit. While our issuance of letters of credit does not increase our borrowings outstanding under our line, it does reduce the amount available. At December 31, 2008, we had outstanding letters of credit totaling approximately $10.5 million, and had approximately $444.5 million available under our unsecured line of credit.

As an alternative to our unsecured line of credit, from time to time we borrow using competitively bid unsecured short-term notes with lenders who may or may not be a part of the unsecured line of credit bank group. Such borrowings vary in term and pricing and are typically priced at interest rates below those available under the unsecured line of credit.

We have an automatic shelf registration statement on file with the Securities and Exchange Commission which allows us to offer, from time to time, common shares, preferred shares, debt securities, or warrants. Our declaration of trust provides we may issue up to 110,000,000 shares of beneficial interest, consisting of 100,000,000 common shares and 10,000,000 preferred shares. As of December 31, 2008, we had 66,027,911 common shares and no preferred shares outstanding.

We believe our ability to access capital markets is enhanced by our senior unsecured debt ratings by Moody s and Standard and Poor s, which are currently Baa1 and BBB+, respectively, as well as the ability to borrow on a secured basis from Fannie Mae or Freddie Mac. However, we may not be able to maintain our current credit ratings and may not be able to borrow on a secured or unsecured basis in the future. The capital and credit markets have been experiencing extreme volatility and disruption, which has caused the spreads on prospective debt financings to widen considerably and have made it more difficult to borrow money. If current levels of market disruption and volatility continue or worsen, we may not be able to obtain new debt financing or refinance our existing debt on favorable terms or at all.

Future Cash Requirements and Contractual Obligations

One of our principal long-term liquidity requirements includes the repayment of maturing debt, including borrowings under our unsecured line of credit used to fund development and acquisition activities. During 2009 approximately $3.9 million of secured mortgage notes and approximately $130.5 million of unsecured debt, including scheduled principal amortizations, are scheduled to mature. See Note 9 of the Notes to Consolidated Financial Statements, Notes Payable, for further discussion of scheduled maturities. Additionally, as of December 31, 2008, we had several current development projects in various stages of construction, for which a total estimated cost of approximately $63.4 million remained to be funded; we anticipate funding approximately $6 million of these costs through our unsecured line of credit and the remaining approximate $57 million from existing joint venture construction loans. We intend to meet our long-term liquidity requirements through the use of cash flows from operations, draws on our unsecured credit facility, property dispositions, secured mortgage notes, and debt and equity offerings under our automatic shelf registration statement.

In order for us to continue to qualify as a REIT we are required to distribute annual dividends equal to a minimum of 90% of our REIT taxable income, computed without regards to the dividends paid deduction and our net capital gains. In November 2008, we announced our Board of Trust Managers had declared a dividend distribution of $0.70 per share to our common shareholders of record as of December 4, 2008. The dividend was subsequently paid on January 2, 2009. We paid equivalent amounts per unit to holders of the common operating partnership units. This distribution to common shareholders and holders of common operating partnership units equates to an annualized dividend rate of $2.80 per share or unit.

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The following table summarizes our known contractual cash obligations as of December 31, 2008:

(in millions)	**Total**	**2009**	**2010**	**2011**	**2012**	**2013**	**Thereafter**
Debt maturities *(1)*	$ 2,832.4	$ 134.4	$ 355.5	$ 421.7	$ 772.2	$ 227.2	$ 921.4
Interest payments *(2)*	658.6	136.6	121.9	101.5	89.2	54.6	154.8
Capital contributions to Fund *(3)*	32.8	32.8					
Non-cancelable lease payments	14.9	2.5	2.5	2.4	2.0	1.9	3.6
Postretirement benefit obligations	3.0	0.2	0.2	0.2	0.2	0.2	2.0
Construction contracts	63.4	61.5	1.9				
	$ 3,605.1	$ 368.0	$ 482.0	$ 525.8	$ 863.6	$ 283.9	$ 1,081.8

(1) Includes our line of credit and scheduled principal amortizations.

(2) Includes contractual interest payments for our line of credit, senior unsecured notes, medium-term notes, and secured notes. Interest payments on hedged loans were calculated based on the interest rates effectively fixed by the interest rate swap agreements. The interest payments on certain secured notes with floating interest rates and our line of credit were calculated

based on the interest rates in effect as of December 31, 2008 or the most recent practicable date.

(3) *Contingent on timing of capital calls by the Fund; subject to change.*

Off-Balance Sheet Arrangements

The joint ventures in which we have an interest have been funded in part with secured, third-party debt. We are committed to additional funding under mezzanine loans provided to joint ventures. See further discussion of our investments in various joint ventures in Note 7, Investments in Joint Ventures and a discussion of our mezzanine construction financing in Note 8, Notes Receivable in the Notes to Consolidated Financial Statements.

Inflation

Substantially all of our apartment leases are for a term generally ranging from six to fifteen months. In an inflationary environment, we may realize increased rents at the commencement of new leases or upon the renewal of existing leases. The short-term nature of our leases generally minimizes our risk from the adverse effects of inflation.

Critical Accounting Policies

Critical accounting policies are those most important to the presentation of a company s financial condition and results, and require management s most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We follow financial accounting and reporting policies in accordance with generally accepted accounting principles in the United States of America.

General. A comprehensive enumeration of our significant accounting policies is presented in Note 2 to the accompanying consolidated financial statements as of December 31, 2008 and 2007, and for the years ended December 31, 2008, 2007, and 2006. Each of our policies has been chosen based upon current authoritative literature that collectively comprises accounting principles generally accepted in the United States of America.

Principles of Consolidation. Our consolidated financial statements include our accounts, the accounts of variable interest entities (VIEs) in which we are the primary beneficiary, and the accounts of other subsidiaries and joint ventures over which we have control. All intercompany transactions, balances, and profits have been eliminated in consolidation. Investments acquired or created are evaluated based on Financial Accounting Standards Board (FASB) Interpretation (FIN) 46R, *Consolidation of Variable Interest Entities* (as revised), which requires the consolidation of VIEs in which we are considered to be the primary beneficiary. If the investment is determined not to be within the scope of FIN 46R, then the investments are evaluated for consolidation using American Institute of Certified Public Accountants Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures,* and Accounting Research Bulletin 51, *Consolidated Financial Statements.* If we are the general partner in a limited partnership, we also consider the guidance of Emerging Issues Task Force Issue 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights,* to assess whether any rights held by the limited partners overcome the presumption of control by us.

Use of Estimates. In the application of GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, results of operations during the reporting periods, and related disclosures. Our more significant estimates relate to estimates supporting our impairment analysis related to the carrying values of our real estate assets, estimates of the useful lives of our assets, reserves related to our general liability and employee benefit programs, estimates related to our investments in joint ventures and mezzanine construction financing, and estimates of expected losses of variable interest entities. These estimates are based on historical experience and various other assumptions believed to be reasonable under the circumstances. Future events rarely develop exactly as forecasted, and the best estimates routinely require adjustment.
Income Recognition. Our rental and other property revenue is recorded when due from residents and is recognized monthly as it is earned. Other property revenue consists primarily of utility rebillings and administrative, application, and other transactional fees charged to our residents. Our apartment homes are rented to residents on lease terms generally ranging from six to fifteen months, with monthly payments due in advance. Interest, fee and asset management, and all other sources of income are recognized as earned. Two of our properties are subject to rent control or rent stabilization. Operations of apartment properties acquired are recorded from the date of acquisition in accordance with the purchase method of accounting. In management s opinion, due to the number of residents, the types and diversity of submarkets in which the properties operate, and the collection terms, there is no significant concentration of credit risk.