Straight Talk

Straight Talk

A conversation with Connie Moore, President and CEO, and Bud Lyons, Chairman

Economic View

How do you compare this downturn with past recessions?

Connie: There's no doubt that the last two years have been especially painful compared to prior economic declines. Previous downturns have not universally impacted the global economy like this one. In fact, "the Great Recession," as it has been called, will be remembered for so many once-in-a-lifetime events, most of which we would soon rather forget. Cumulative job losses, unemployment levels, the freezing of the capital markets and the number of long-standing, highly regarded institutions that disappeared have left scars and shaken the confidence of our residents, investors and associates.

It is important to put these events in perspective, however. Both Bud and I, as individuals, and BRE, as a company, have experienced numerous cycles. Each one is a little different and it is never fun, but the key is to be prepared for them and be able to respond.

Was BRE prepared?

Bud: Better than many but not as much as we would have liked. As we reflect on lessons learned from the crisis, we believe we could have been more disciplined around our market footprint and the size of our development pipeline relative to the balance sheet. We did have, however, a tremendous amount of financial flexibility embedded in our balance sheet that enabled us to respond to the unprecedented capital challenges that faced the economy. Our financial flexibility, combined with our operational structure, enabled us to take aggressive steps to put the company in a position to deal with the crisis.

How did you respond?

Bud: Above all else, we clearly understood the reality of the environment and the challenges in front of us. Recognizing the severity of the economic and capital markets environment, we focused our priorities on employing a defensive operating posture, enhancing liquidity and preserving capital. This included the tough, but necessary, decision to reduce our dividend by 33%, which retains an additional $40 million annually. The decisions we made and the actions we took have positioned us well for the future.

Connie: At the beginning of 2009, we established an aggressive plan to reduce leverage and substantially eliminate our near-term debt until 2012 so that we could focus our energies on operations. This resulted in BRE retiring more than $550 million of debt maturing between 2009 and 2013 using debt tenders and open-market repurchases of our bonds. We were able to fund these activities through a combination of new debt, equity and asset dispositions. This included a $620 million secured facility with Fannie Mae, which we were able to implement given the balance sheet flexibility that Bud mentioned earlier.

“Overall, we remain cautious but encouraged by the gradual improvements in the economy and employment levels that we have seen in recent months.”

Connie Moore

We also decelerated our development program. We made the difficult, but vital, decisions to reduce our development staffing levels and abandon three sites in 2009 in addition to three we abandoned at the end of 2008. With the completion of the four sites that were under construction at the end of last year and the abandonment of those six sites, we have reduced the funding requirements on our development pipeline by 36% in the last 12 months. These were sites where the long-term economics no longer made sense and the sellers were unwilling to adjust their terms to reflect the current economic environment.

In property operations, given the severity of the economic downturn, we were facing a two-year period of declining revenues. With that in mind, we abandoned our long-standing policy of limited concessions and developed an aggressive plan, which focused on using concessions to build occupancy and set pricing at the early end of a declining rent curve.

As employment forecasts during 2009 began to identify the end of 2010 as the inflection point for new job growth, we made a call to pivot away from concessions 12 months in advance of this point. Our goal is to eliminate concessions in our rent roll as we enter 2011, which we believe will be the first year of recovery.

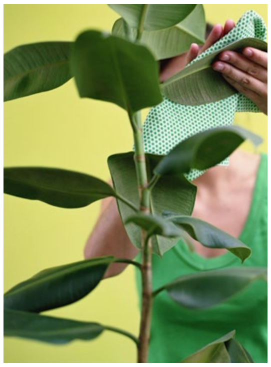
Talk about where you think we are in the recovery.

Bud: We are approaching 2010 as a transition year with the initial phase of the recovery anticipated to be slow and gradual. The U.S. economy as a whole is facing the withdrawal of stimulus funds, a current scarcity of small business credit and state fiscal constraints. The de-leveraging that still must occur for many businesses and consumers will continue to weigh on the strength of the recovery in the near term, but should provide long-term opportunities for well-capitalized companies such as BRE.

Connie: Our outlook and operating plans are based on renewed job growth and pricing power toward the end of 2010. While the majority of the expected declines in effective rents occurred last year, 2010 will still be challenging as we roll down expiring leases to lower rental rates and burn off the impact of concessions in our rent roll.

Job losses are the single largest factor driving results and operating fundamentals in the apartment space. With the steps we took early in 2009 and the outstanding efforts of our associates, we ended 2009 with a strong operating posture. With our same-store portfolio 95% occupied at year-end – 130 basis points higher than we were at the beginning of 2009 – we are in a very strong position in 2010.

Overall, we remain cautious but encouraged by the gradual improvements in the economy and employment levels that we have seen in recent months.



Growth

Why might this recovery be stronger for apartment owners than other property types?

Bud: A number of factors should produce outsized growth for apartment owners. First, the Gen Y demographic, the roughly 80 million individuals born between 1980 and 1995, is nearing or at the age of becoming renters. This is a population demographic larger than the baby boom. Second, this past recession left a lasting imprint on many regarding home ownership – it is not for everyone. As the demand for home ownership declines, significant demand for rental units is created. Renting apartments is both a lifestyle and economic decision. It doesn't just include younger renters. Retirees want more financial freedom and access to urban amenities, too.

Connie: We also saw a lot of renters double and triple up as a result of the downturn. Economic conditions forced many people to share living arrangements. Eventually, these renters will want a place of their own. The effect of this unbundling will create demand and quickly – we've seen it before. Also, the significant drop-off in construction that has occurred as a result of the pullback in capital has eliminated the threat of new supply for several years.

Taking all these considerations together, there is a considerable level of pent-up demand for apartments. If you factor in any strength in job growth, apartment revenues are poised to move higher. We think that for every three jobs created there will be one unit of rental demand generated. This compares to prior periods when the ratio was closer to one unit for every five jobs created.

> **"We intend to focus on acquisitions that will benefit from our market concentrations and leverage our industry-leading operating margins."**
>
> Connie Moore

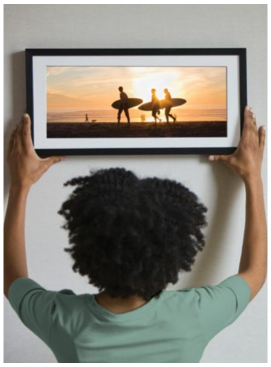
What are your expectations for acquisition activity?

Connie: While our guidance for 2010 assumes no acquisitions, we are actively pursuing opportunities that will allow us to take advantage of the expected recovery in rents in 2011 and 2012. We intend to focus on acquisitions that will benefit from our market concentrations and leverage our industry-leading operating margins. The technology initiatives that we have implemented over the past several years have realigned roles and responsibilities between our corporate support associates and our properties, providing us the opportunity to scale the platform.

How does development factor into your growth plans?

Bud: We believe development is a differentiating skill that enables us to create communities where our residents want to live and value that our shareholders would not receive from an acquisition. It also exposes the company and our shareholders to additional levels of risk. We need to receive a premium for that risk and need to manage the size of that risk against the size of our capital base.

We want to grow through a mix of acquisitions and development. While I would expect us to overweight acquisitions in the immediate future, the distressed levels of valuations that many expected to see in the apartment sales market have not materialized. Apartment owners are unwilling to sell properties at discounted values and lenders in general seem to be unwilling to accelerate defaulted loan facilities. At this time, there is too much capital pursuing too few deals. Capitalization rates for acquisitions in our core markets are averaging 5% to 6%. If this persists and we feel better about the recovery, we would consider starting new development projects earlier than currently planned.



Markets

Given BRE's commitment to California, how do you assess the state's economic and financial condition?

Connie: California is not without its share of problems. The state is currently managing through a significant downturn in employment, infrastructure needs, fiscal constraints and the high cost of living associated with residing here. The headlines, while real, fail to account for the underlying, long-term potential of the state.

Our portfolio concentration in California is an investment focus that we have elected to exploit, not avoid. In fact, if one were to go back and look at the percentage of BRE's net operating income (NOI) attributable to California at the beginning of the decade, it was right around 65%. Through focused investment and capital recycling, we ended 2009 with 84% of NOI concentrated in the state.

The California story starts with the size, depth and breadth of the state's economy. California is the eighth-largest economy in the world, with over 38 million residents and a $1.8 trillion economy. It is a leader in high technology, biotechnology, entertainment, agriculture and international trade. In prior years, the state has attracted more venture capital than the rest of the nation combined. It has a world-class university system that provides a knowledge base for new business formation and future job growth. Its geographic barriers constrain new supply, and the cost of living results in a higher propensity to rent among the residents in the state. Historically, California markets have outperformed in periods of economic growth and been harder hit in periods of economic decline. We would expect to see this play out again as the economy pulls out of this recession.

Bud: We remain true believers in our California-centric business model. California possesses a uniquely favorable convergence of positive investment characteristics for apartment owners. No other region in the country can match the sizable population base, future economic potential, demand for rental housing and restrictions on supply due to geographic and entitlement barriers. We strongly believe our concentration in the state gives us a decided advantage over much of our competition due to our localized knowledge of the markets. It would take years for others to replicate the portfolio of apartment communities that we have assembled.

How are the markets performing where you invest?

Connie: As you might expect, market conditions span the spectrum coming out of such a severe recession. San Diego has been a solid performer on a relative basis; we expect it to be our most stable market in 2010. A slowdown in job losses and a lack of new supply in that market support our performance there.

Orange County was the epicenter of the mortgage company collapse, so job losses have taken a toll on that market. It has shed close to 120,000 jobs and went into recession in advance of the broader U.S. economy. Though we're not expecting to see this market stabilize with jobs until midyear, the pace of the contraction has slowed.

We are especially bullish on Los Angeles long term. Though the economy is still struggling to gain traction, several forecasts point to a market that could return to pre-recession employment levels. This would imply an

"… we consistently come back to the view that our core markets offer the best long-term return potential for our shareholders based on their market-growth profile."

Bud Lyons

expansion of more than 400,000 jobs. We have seen occupancies in this market improve above 95% as of year-end 2009.

The Inland Empire remains a challenging region. Job losses, housing supply and poor resident credit quality all combine to create very tough operating fundamentals. Our occupancies here, though, have averaged just shy of 95%, but require price reductions to maintain that level.

The San Francisco region – historically one of our strongest markets – has been impacted by job losses in the technology, manufacturing and retail sectors. This market was one of the last to enter into the recession and may struggle through the tail end of the recession into the recovery. But as one of the most expensive areas in the state to live and with essentially no new supply, the rebound could be quick.

Seattle is our most challenged market. Both demand and supply problems continue to impact operating conditions. Failed condo projects that have been converted to rentals added anywhere from 6,500 to 8,000 units to Bellevue and downtown markets. The market's overall vacancy rate is expected to climb to about 9% during 2010. On a positive note, Seattle was last into the recession with job losses but actually may be the first out, with job growth returning as early as the third quarter of this year. However, it's not jobs in this market, it's supply. Failed condo projects will continue to pressure operations and our ability to reduce concessions in this market throughout 2010 and deep into 2011.

Looking ahead, we are seeing positive signs in many of our markets. Since the housing crash began, home prices experienced year-over-year increases. Los Angeles, Orange County, San Diego, the Bay Area, and Denver – all finished the year up anywhere from 3% to 15% from the end of last year. While Phoenix, the Inland Empire and Seattle were all down, price adjustments in the fourth quarter indicate that a bottom is beginning to form.

With the competition for apartment properties in your core markets, would you consider entering new markets to find higher yields?

Bud: Anytime you have the level of economic weakness that we have experienced in the past two years, it creates opportunities for those with strong balance sheets such as BRE. Yet, we consistently come back to the view that our core markets offer the best long-term return potential for our shareholders based on their market-growth profile. We also believe we can leverage that growth through scale and concentration of properties within submarkets. Just because an investment has a higher going-in yield does not mean that it is in a region with the supply/demand characteristics that can significantly grow that yield over time. We want to exploit the growth that is embedded in our markets, particularly in California.

Technology

How does BRE use technology to run its business?

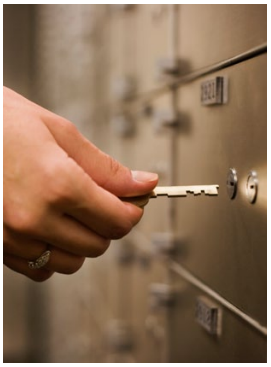
Connie: The use of technology to refine our decision-making capabilities, increase associate productivity and enhance resident satisfaction remains a central theme at BRE. Through the implementation of an effort we call Project Enterprise, we developed a fully integrated information systems platform that supports all aspects of our business, including unit pricing, expense management, budget and forecasting, and customer service response. Our progressive systems architecture has enabled us to centralize all property-level business and administrative functions, giving our on-site personnel the ability to concentrate on important resident-centric value drivers.

We continuously look at ways to improve the resident experience through such tools as online property tours and leasing, community communications and electronic rent payment.

The technology initiatives that we have put in place have created a highly scalable organization that will enable us to grow and continue to deliver industry-leading operating margins.

"… [our] technology initiatives … have created a highly scalable organization that will enable us to grow and continue to deliver industry-leading operating margins."

Connie Moore



Risk Management

Coming out of the recession, investors are focused on risk. How does BRE manage risk?

Bud: Risk management is not a new area of focus for BRE – it has been embedded in our culture. The board is directly involved in oversight of the company's enterprisewide risk management activities, which are designed to support the achievement of organizational objectives, including strategic objectives to improve long-term organizational performance and enhance shareholder value. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the company.

In collaboration with management, the board has established tolerance levels of risk related to BRE's activities as a means to facilitate business decisions by the appropriate levels of management and the board.

Connie: Management is responsible for establishing our business strategy, identifying and assessing the related risks, and establishing appropriate risk management practices. Our board reviews our business strategy and management's assessment of the related risk and discusses with management the appropriate level of risk for the company. The full board participates in an annual enterprise risk management assessment, which is led by management. In this process, risk is assessed throughout the business, focusing on the following key risk areas: strategic, financial, tactical and operational. In addition to quarterly reviews, management conducts an annual, comprehensive review of BRE's strategic objectives and tactical plan as well as the company's performance against that plan and its peers.

Talk about the key elements of BRE's corporate governance philosophy.

Connie: Our primary governance philosophy is to put in place a dynamic board to provide direction, authority and oversight of management on behalf of the company's stakeholders. Our board comprises 10 independent directors and two management members with diverse backgrounds who offer us both industry-specific knowledge and general management expertise. BRE has been recognized for maintaining a best-in-class governance structure that includes a nonstaggered board, a non-executive chairman, a large majority of independent directors and shareholder-friendly charter and bylaws. We have no insider-related transactions or conflicts. Independent directors have complete access to both company management and any advisers that the company may retain from time to time. For both the board and executive management, restricted stock is a meaningful component of their compensation.

> **"The board is directly involved in oversight of the company's enterprisewide risk management activities…"**
>
> Bud Lyons

Dear Fellow Shareholders:

It is customary to use this opportunity to look back on BRE's activities during the previous year and provide a report on the company's financial results. We've done so here as well as in the "Straight Talk" section of this Annual Review, where we address many of the questions asked of us by our shareholders throughout the year.

But for a moment, it is worth going beyond 2009, all the way back to 1970, which is the year BRE Properties was founded. Since that time, BRE has evolved from a small investment fund, with various forms of investment in a wide range of asset classes, to a direct owner, operator and developer of real estate with a single focus – multifamily communities. While our investment focus has evolved, we have always positioned the company to take advantage of periods of opportunity as well as to respond to times of challenges. Having just emerged from the "Great Recession," during which we witnessed numerous long-standing and iconic institutions either disappear or be forced to dramatically alter their business models, we take great pride in BRE's ability to have operated successfully through 40 years of economic cycles.

And this last one was no ordinary cycle. The level of job losses caused by the economy was both painful at an individual level and extraordinary from a historical perspective. Jobs and job growth influence our operations more than any other factors. Job growth translates into new household formations, which in turn drive demand for apartment housing. Similarly, when job losses occur, household levels contract. Individuals move in with family members or double up with others to help reduce the cost of housing. As the economy was impacting our operating fundamentals, the capital markets were experiencing a tectonic shift toward de-leveraging, placing a premium on liquidity. This resulted in a significant widening of risk premiums for many types of capital, including users of unsecured debt like BRE.

We attribute our ability to navigate through this turbulent time to an operational sense of urgency and a financial flexibility that was embedded in our balance sheet heading into the recession. We implemented a property operating strategy early in the year to maintain occupancy and minimize the impact of a declining rent curve. At the same time, we crafted an aggressive plan to address our near-term debt maturities and put any balance sheet issues to rest. We successfully executed on both fronts.

There is still additional de-levering that must occur, both for businesses and the consumer, that will likely temper the initial stages of the recovery. We are hopeful it will also provide opportunities for BRE. Once the recovery gains traction, we expect multifamily operating fundamentals to turn quickly due to low levels of supply and favorable demographics. We believe we are well positioned to take advantage of those dynamics.

2009 Results

It's hard to put 2009 into words. We started the year with unprecedented job losses that continued for an extended period of time and a stock market that shattered the confidence of many investors. At the beginning of the year, the REIT model itself was questioned; many claimed "the REIT model is dead." With that as a backdrop, we still had to run our businesses and focus on what mattered: preservation of capital and liquidity. Our results reflect the challenging economic and capital markets environment we operated in and the successes we had navigating through the stormy waters.

- The closing price for BRE common shares at the end of 2009 was $33.08, representing a 27.4% total return for shareholders during the year, but it hardly reflects the roller-coaster ride the stock took in 2009. In July 2009, we took the painful, but necessary, measure of reducing our dividend by 33% to preserve cash flow and enhance our liquidity. Through this action, we will retain an additional $40 million of capital annually.

- Funds from operations (FFO) were reported at $2.23 per share for 2009. Excluding the nonroutine income and expense items reported in 2008 and 2009, core FFO declined by 6.9% year-over-year, which is slightly more favorable than our estimates set at the beginning of the year.

- Property operations felt the impact of the challenging economic environment as same-store revenue declined by 3.9% and same-store NOI fell by 6.4%. San Diego and San Francisco showed the greatest resilience, while the combination of job losses and excess single-family housing continued to weigh on the markets of Orange County, Los Angeles and the Inland Empire. Seattle, which accounts for 14% of our NOI, has been particularly hindered by excess supply resulting from failed condos that have been converted to rental units. Despite these operating pressures, BRE continued to deliver sector-leading EBITDA (earnings before interest, taxes, depreciation and amortization) margins.

- Entering 2009, we had five communities under construction; during the year we completed unit deliveries at three of them. Both 5600 Wilshire in Los Angeles and Park Viridian in Orange County reached physical stabilization during 2009. Taylor 28 in Seattle ended the year at 88% occupancy. Belcarra in Bellevue, Washington, began delivering units during 2009 and ended the year 38% occupied. Our Villa Granada property in Santa Clara, California, will complete construction during the first half of 2010. The balance of our development pipeline consists of land that we own or sites under our control through purchase option agreements. The pipeline consists of six communities in Northern and Southern California and Seattle, with 2,391 units and an estimated future investment of approximately $588 million. The earliest we would commence construction on any of these assets would be late 2010.

- The dramatic pullback of capital and emphasis on liquidity will be remembered as one of the primary themes of this recession. BRE entered 2009 focusing its balance sheet activities on addressing its near- to medium-term debt maturities and reducing its overall leverage levels, all while limiting shareholder dilution. We believe we delivered on all measures. Benefiting both from a balance sheet where we had purposely limited the use of secured debt and access to funding from Fannie Mae, we secured $620 million of agency financing at an attractive all-in rate of 5.6%, approximately 600 basis points lower than similar funding costs in the unsecured debt markets at that time. We used those proceeds to retire more than $550 million of debt that was maturing over the next four years, thereby reducing the refinancing risks that many companies faced during this uncertain time, while also reducing interest expense by more than $5.0 million per year. We also strengthened our capital position by raising $104 million in new common equity during the year through our "at the market," or ATM, equity program that enables us to efficiently raise measured amounts of equity capital over time on an as-and-when-needed basis. We augmented this capital with $84 million in proceeds from the sales of three assets, further strengthening our financial position. We ended the year with a strong financial position and solid liquidity to take advantage of future investment opportunities.

- 2009 was not, in our view, the year to aggressively look for new investment opportunities given the uncertainty prevalent in the economy and our keen focus on liquidity. As we head into 2010, with the economy beginning the slow process of recovery, our views have changed. We remain a disciplined investor and will seek those investments that will provide the appropriate risk-adjusted returns for our shareholders.

- Responding to the change in market conditions, we continued the process of decelerating our development activities. During 2009, there were several sites we controlled that, in order for us to proceed, required us to engage in additional negotiations with sellers and municipalities to improve our projected returns. Though we were successful in attaining more favorable terms on certain projects within the pipeline, the concessions obtained on three sites were insufficient for us to move forward. As a result, we made the difficult decision to no longer pursue these sites, resulting in $12.9 million in abandonment charges recorded during the fourth quarter of 2009. Two of the sites that we abandoned were fully entitled, and as a result, the charge was larger than the one we took in 2008. Our focus is only on those sites that will be accretive to our shareholders given current market considerations. We did, however, purchase a parcel of land in Sunnyvale, California, during 2009 for approximately $15 million, after negotiating more favorable terms with the land seller. With this acquisition, we now own four land parcels and have two sites under contract to purchase. None of the sites will be in a position to begin construction until late 2010.

For 40 years, this company has successfully confronted and overcome cyclical downturns and financial crises. We remain focused on our strategy and true to generating value for our shareholders. As we transition from defense to offense in 2010, we hope you agree that this is a company positioned to outperform.

And finally, we want to thank Robert A. Fiddaman, who retired as our chairman in 2009 after serving BRE and its shareholders for more than 12 years. Bob is a recognized leader in the community and his contributions to BRE are many. We are grateful for his service and wish him much success in his future endeavors.

We appreciate your continued support.

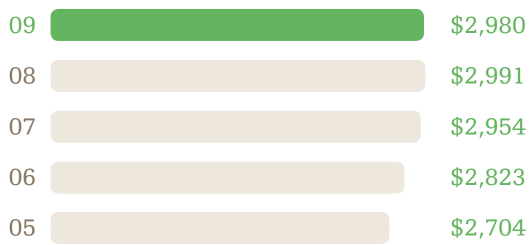
Irving F. (Bud) Lyons III
Chairman

Constance B. Moore
President & Chief Executive Officer

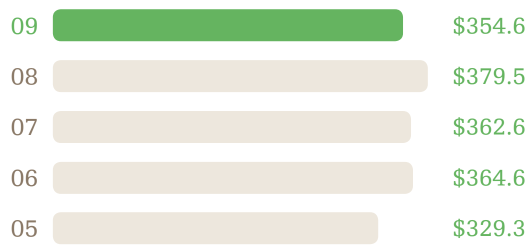
Financial Charts

2005–2009

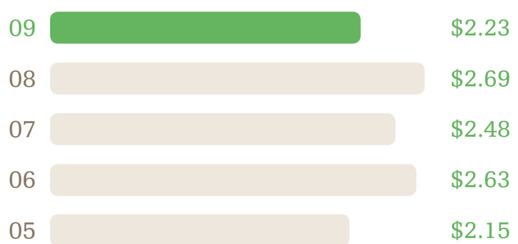
Total Assets | $ Millions



Total Revenues | $ Millions

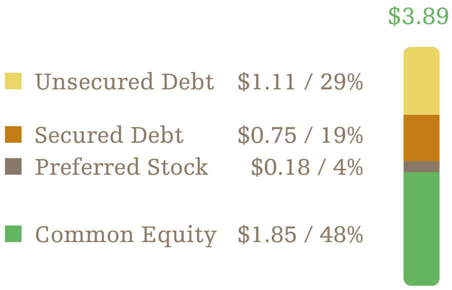


NAREIT Funds from Operations (FFO) per Share | $ Dollars*

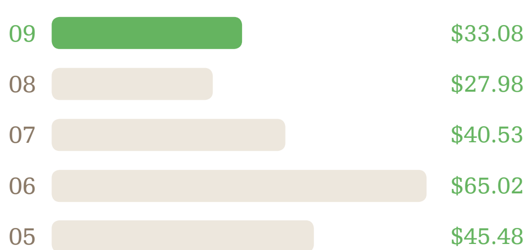


* Adjusted to reflect retroactive adoption of APB-14 accounting guidance relating to the company's convertible notes.

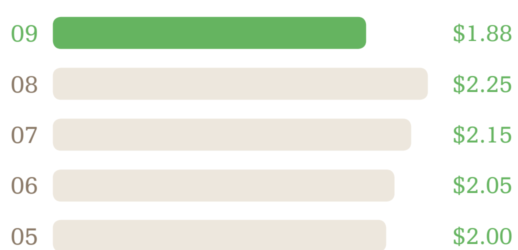
Market Capitalization at December 31 | $ Billions



Share Price at December 31 | $ Dollars



Dividends per Share | $ Dollars



Performance Keys

In 2005, as part of our five-year strategic planning, we introduced the five keys to outperformance – metrics that correlate to outsized returns and performance in the REIT industry by which BRE would measure itself. 2009 was a year of unprecedented upheaval and turmoil in the financial markets and our economy. While our results reflect the difficult operating environment, we should not lose sight of our accomplishments. We are proud of how our associates remained focused on the business and resolutely met the challenges that were presented. We shored up our balance sheet and defended our operating posture. We navigated the company safely through the financial storm. As we look forward to the next five years, we will revisit our strategic plan and refine the keys to outperformance to better reflect the new economic environment. Regardless of the changes to the economic and financial landscape, our mission remains the same: to deliver top-of-industry returns to our shareholders.

Strategic Market Focus

% of total NOI

California

84%

2009

[3–5 year target: 90%]

Northern California

21%

2009

[3–5 year target: 30%]

Southern California

63%

2009

[3–5 year target: 60%]

While California is not without its share of challenges, we remain committed to our California-centric business model. The state possesses a favorable confluence of positive investment characteristics for multifamily investors: supply-constrained markets, sizable population and economic base, and the highest propensity-to-rent levels in the nation. These are the underpinnings of a strong multifamily recovery and long-term growth potential in the state. We strongly believe that our portfolio concentration in California represents a competitive advantage given our localized knowledge of the markets. As the economy recovers, we will be poised to take advantage of a Golden State opportunity.

Funds from Operations (FFO) Growth Components

Core FFO Per Share Growth

(6.9)%

2009

[5-year average: 10.7%]

Internal Same-Store Growth

Revenue

(3.9)%

2009

[5-year average: 3.0%]

NOI

(6.4)%

2009

[5-year average: 2.9%]

External Same-Store Growth

2009 Completed Projects

5600 Wilshire / Los Angeles, CA
Park Viridian / Anaheim, CA
Taylor 28 / Seattle, WA

Invested Capital

$283 M

Expected Stabilized Yields

5.5% – 6.5%

The Pipeline

Southern CA	720 Units
Northern CA	1,209 Units
Washington	462 Units

Estimated Future Capital Investment

$605 M

Construction in progress (Belcarra and Villa Granada), land owned and land under contract

As we anticipated, 2009 was the first year of a two-year cycle during which pricing power would deteriorate as declining economic conditions and job losses mounted in our operating markets. In response to the extremely difficult operating and economic environment, we put in place an operating plan that focused on maintaining occupancy through aggressive pricing strategies early in the cycle. We expect 2010 to be a transition year during which economic indicators and operating fundamentals should stabilize and turn positive.

EVA
Spread

Economic Value Added (EVA) Spread:
Return on invested capital (ROIC) in excess of weighted average cost of capital (WACC)

2009 EVA Spread

177

[Basis Point Target EVA Spread: 150–200]

Basis Points:

at 100 = BRE / Peer Performance 2005
at 150 = Beats Expectations; Creates Value
at 200 = Outperformance Defined

Despite the significant dislocation in the financial markets and the economic crisis we faced, our 2009 EVA remained close to the top end of our stated five-year goal. It is a testament to the quality of our associates that we steered through such a difficult period with minimal losses to the company. We maintained a strong balance sheet, managed our capital activities and fortified our operations against this historic downturn. Above all, we did not panic but remained focused on our strategy and delivering long-term value to our shareholders.

Capital Recycling

$82.7M

2009

[annual target: <$75M/year]
[3-year average: $101.2M]

Properties Sold in 2009:

$65.6M
- Overlook at Blue Ravine / Folsom, CA
- Arbor Pointe / Sacramento, CA

$17.1M
- Land parcel / Santa Clara, CA

Properties Sold in 2008:

$163.2M
- Blue Rock Village / Vallejo, CA
- Park at Dashpoint / Seattle, WA
- Pinnacle at Blue Ravine / Sacramento, CA
- Rocklin Gold / Sacramento, CA
- Quail Chase / Sacramento, CA
- Canterbury Downs / Sacramento, CA

Properties Sold in 2007:

$55.3M
- Hazel Ranch / Sacramento, CA
- Shaliko / Sacramento, CA
- Brentwood Townhomes / Seattle, WA

With the disposition of two properties in the second quarter of 2009, the company substantially completed its planned exit of the Sacramento market. Over the past three years, the company sold eight properties, totaling 1,756 units, in Sacramento, for total sales proceeds of approximately $194 million and an aggregate gain on sale of approximately $73.6 million. Consistent with our past practice, we will continue to evaluate our portfolio and may selectively prune older or noncore assets to redeploy the capital into higher-growth investments.

Leverage

52%

[3–5 year target: 50%]

Interest Coverage

3.0x

2009

[3–5 year target: ≥3.0X]

In 2009, with the crisis in the financial markets severely limiting the amount of available capital, the company focused on strengthening its balance sheet, reducing leverage, extending maturities and safeguarding liquidity. As a result, the company today has greater financial flexibility, and is better positioned to reinvest in its business and capitalize on future growth opportunities. While the financial, economic and operating environments have improved, maintaining a strong balance sheet will continue to be of paramount importance as we prepare the company to take advantage of the economic recovery.

Continuing Corporate Governance Guidelines

BRE Properties is committed to corporate governance practices that ensure the company is well-managed and serves the best interests of all stakeholders – investors, associates and customers. A foundation of the company's high standards of corporate governance is the composition of the BRE Board of Directors. At December 31, 2009, the board comprised 12 members, 10 of whom were independent, including our non-executive chairman. All directors stand for election annually.

The board believes that good corporate governance requires ongoing vigilance and oversight if it is to be successful. The following guidelines have been established to assist in accomplishing this objective.

Independent Directors' Access to Company Management

Independent directors have complete access to company management to ask questions and receive information necessary to perform their duties.

Meetings of Independent Directors in Executive Session

Independent directors meet in executive session without management directors or management present at least four times per year. They review the company's implementation of and compliance with its corporate governance guidelines.

Shareholder Access to Independent Directors

Shareholders may pose written questions to the independent directors about the normal operations of the company and receive a written response.

Board Access to Independent Advisers

Board standing committees may hire independent advisers as set forth in their applicable charters. The board as a whole has access to the advisers that the company retains or that the board considers necessary to discharge its responsibilities.

Annual Self-Evaluation

Following the end of each fiscal year, the Nominating & Governance committee oversees an annual assessment of the board's performance during the prior year as well as that of individual board members.

The committee is responsible for establishing the evaluation criteria and implementing the process for such evaluation as well as considering other corporate governance principles that may merit consideration by the board. The assessment includes a review of any areas in which the board or management believes the board can make a better contribution to the governance of the company as well as a review of the committee structure and an assessment of the board's compliance with the principles set forth in the governance guidelines. The purpose of the review is to improve the performance of the board as a unit and that of individual board members. The committee utilizes the results of the board's evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the board.

Annual Review of Chief Executive Officer

The Compensation committee, with input from the chief executive officer, establishes the performance criteria (including both long-term and short-term goals) to be considered in conjunction with the CEO's annual performance evaluation. At the end of each year, the CEO makes a presentation or furnishes a written report to the committee indicating her progress against such established performance criteria. The committee meets to independently review performance. The results of this review and evaluation are communicated to the CEO by the committee chairman.

Succession Planning

The chairman of the board works on a periodic basis with the CEO to review, maintain and revise, if necessary, the company's senior management succession plan, including the position of CEO. The CEO reports annually to the board on the status of this plan, including a discussion of assessments, leadership development plans and other relevant factors.

For a complete description of BRE's Corporate Governance Guidelines, click on the Investors section of www.breproperties.com, select Corporate Information and choose Governance Documents from the drop-down menu on the page.

Sarbanes-Oxley Compliance

The management of BRE Properties, Inc. is responsible for maintaining effective internal controls over financial reporting and assessing their effectiveness, based on criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). As of December 31, 2009, management believes the company has maintained effective internal controls over financial reporting, in all material aspects, based on the COSO criteria.

Directors and Officers

Executive Officers

Constance B. Moore
President &
Chief Executive Officer

Edward F. Lange Jr.
Executive Vice President
Chief Operating Officer

John A. Schissel
Executive Vice President
Chief Financial Officer

Stephen C. Dominiak
Executive Vice President
Chief Investment Officer

Kerry Fanwick
Executive Vice President
General Counsel

Board of Directors

Paula F. Downey
Independent
President
AAA Northern California
Nevada and Utah

Edward F. Lange Jr.
EVP & COO
BRE Properties, Inc.

Irving F. "Bud" Lyons III
Non-Executive
Independent Chairman
Principal
Lyons Asset
Management Company
Former Vice Chairman
ProLogis

Edward E. Mace
Independent
President
Mace Pacific Holding
Company LLC

Christopher J. McGurk
Independent
CEO
Overture Films

Matthew T. Medeiros
Independent
President & CEO
SonicWALL, Inc.

Constance B. Moore
President & CEO
BRE Properties, Inc.

Jeanne R. Myerson
Independent
President & CEO
The Swig Company

Jeffrey T. Pero
Independent
Former Partner
Latham & Watkins LLP

Thomas E. Robinson
Independent
Senior Advisor
Stifel, Nicolaus
& Company, Inc.

Dennis E. Singleton
Independent
Former Vice Chairman
Spieker Properties, Inc.

Thomas P. Sullivan
Independent
Partner
Wilson Meany Sullivan

Board Committees

Executive Committee
Irving F. "Bud" Lyons III,
Chair
Edward E. Mace
Matthew T. Medeiros
Constance B. Moore
Jeanne R. Myerson
Thomas E. Robinson

Audit Committee
Thomas E. Robinson, Chair
Paula F. Downey
Edward E. Mace
Jeffrey T. Pero
Dennis E. Singleton
Thomas P. Sullivan

Compensation Committee
Matthew T. Medeiros, Chair
Paula F. Downey
Christopher J. McGurk
Thomas E. Robinson

Nominating &
Governance Committee
Edward E. Mace, Chair
Irving F. "Bud" Lyons III
Matthew T. Medeiros
Jeanne R. Myerson
Jeffrey T. Pero

Real Estate Committee
Jeanne R. Myerson, Chair
Irving F. "Bud" Lyons III
Christopher J. McGurk
Dennis E. Singleton
Thomas P. Sullivan

Corporate Information

Annual Meeting
The 40th Annual Meeting of Shareholders will be held Tuesday, May 18, 2010, at 10:00 a.m. (Pacific Time)
The Palace Hotel
2 New Montgomery Street
San Francisco, CA 94105

Stock Exchange Listing
Shares of BRE Properties, Inc. are traded on the New York Stock Exchange under the symbol BRE (NYSE: BRE).

Independent Auditors
Ernst & Young LLP

Legal Counsel
Latham & Watkins LLP

Shareholder Accounts & Services
Effective January 19, 2010, Wells Fargo Shareowner Services (WFSS) is BRE's new stock transfer agent (replacing BNY Mellon). If you have questions about your account, please call 800.368.8392 to speak with a WFSS representative. To access your account online, go to www.shareowneronline.com. To register, click on "First Time Visitor Sign On." You will need your new account number, which you should have received by mail.

Wells Fargo Shareowner Services can assist you with a variety of shareholder-related services, including:

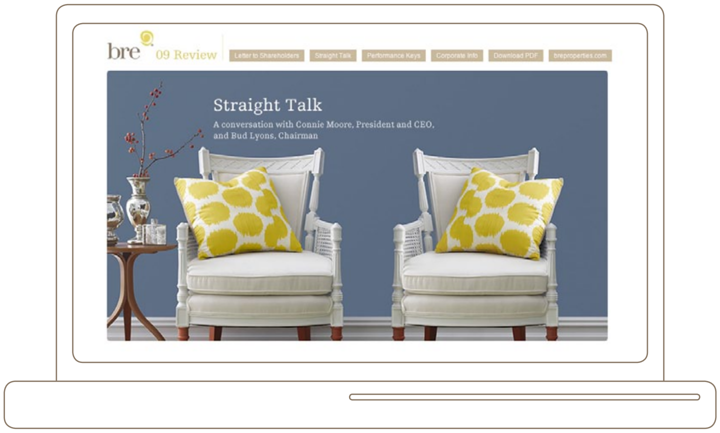
- Dividend reinvestment or direct stock purchase
- Transfer of stock to another person
- Change of address
- Dividend payment inquiries
- Lost stock certificates
- Additional administrative services

Wells Fargo Shareowner Services
P.O. Box 64874
St. Paul, MN 55164-0856
800.368.8392 (toll-free)

Communication with Shareholders
We value our ongoing dialogue with our shareholders and are constantly striving to improve the quality of our communication and disclosure. You can share your thoughts about this Annual Review and request documents in the Investors section of our Web site, www.breproperties.com. Click on Request Information.

Investor Relations Department
BRE Properties, Inc.
525 Market Street, 4th Floor
San Francisco, CA 94105
IR: 415.445.6500
Main: 415.445.6530
Fax: 415.445.6505
E-mail: ir@breproperties.com

Current disclosure and investor information, including an online Annual Review, company profile, news releases, SEC filings, quarterly conference calls, officer bios, analyst coverage and Shareholder Services – are all available at www.breproperties.com. Click on Investors.



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See the 2009 Review online at:
www.breproperties.com/2009review

The BRE Promise

To Customers

- Anticipate and promptly respond to your needs
- Create a friendly and comfortable community
- Provide a clean and well-maintained apartment home
- Offer valuable and convenient amenities and services

To Investors

- Communicate a clear, results-oriented strategic direction
- Manage our business to yield a compelling combination of income and growth
- Maintain a strong balance sheet, maximizing financial flexibility
- Respond openly and honestly to all investors
- Disclose financial results comprehensively and efficiently

To Associates

- Listen with an open mind
- Encourage new ideas and initiatives
- Provide tools and clear direction
- Recognize talent and build careers
- Reward hard work and successes

bre®

09

Straight Talk

BRE Properties, Inc.
525 Market Street, 4th Floor
San Francisco, CA 94105

www.breproperties.com

Design: Methodologie, Seattle, WA