

## **BRE PROPERTIES REPORTS SECOND QUARTER 2010 RESULTS**

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### Common and Preferred Dividends Declared

August 3, 2010 (San Francisco) – BRE Properties, Inc. (NYSE:BRE) today reported operating results for the quarter ended June 30, 2010. All per share results are reported on a fully diluted basis.

### **Second Quarter Highlights**

- Funds from operations (FFO) totaled \$28.9 million, or \$0.46 per share.
- Per share results include: \$0.02 in one-time compensation expense associated with the departure of the company's chief operating officer; \$0.01 of acquisition costs; and a \$0.01 loss on the retirement of \$15 million in convertible debt.
- Year-over-year second-quarter same-store revenues and net operating income (NOI) declined 2.7% and 4.9%, respectively.
- Physical occupancy averaged 95.7%; annualized turnover within the same-store portfolio was 65%.
- Issued 8.1 million common shares, generating approximately \$264 million of net proceeds.
- Annual same-store guidance adjusted upward with the expectation that 2010 same-store revenues will decline in a range of 2.25% to 3.0% from 2009 levels, and 2010 same-store net operating income will decline in a range of 4.0% to 5.0% from 2009 levels.
- 2010 FFO guidance adjusted upward to \$1.84-\$1.92 per share.

### **Three-Month Period Ended June 30, 2010**

Funds from operations, the generally accepted measure of operating performance for real estate investment trusts, totaled \$28.9 million, or \$0.46 per share, for the second quarter 2010, compared with \$37.2 million, or \$0.70 per share, for the second quarter 2009. (A reconciliation of net income (loss) available to common shareholders to FFO is provided at the end of this release.) FFO for the second quarter of 2010 includes: (1) one-time compensation costs related to the resignation of the company's chief operating officer, totaling \$1.3 million, or \$0.02 per share; (2) acquisition-related expenses totaling \$471,000, or \$0.01 per share; and (3) a loss on retirement of debt totaling \$558,000, or \$0.01 per share. FFO for the second quarter of 2009 included a \$2.0 million, or \$0.04 per share, net gain on retirement of debt.

Net income to common shareholders for the second quarter 2010 totaled \$16.3 million, or \$0.26 per share, compared with net income of \$28.2 million, or \$0.54 per share, for the same period 2009. The second quarter 2010 results include a gain on sale of real estate of approximately \$11.7 million, or \$0.19 per share, and non-operating expenses cited above totaling \$2.3 million, or \$0.04 per share. The second quarter 2009 results included a gain on sale of real estate of approximately \$14.3 million, or \$0.28 per share, and the net gain on retirement of debt cited previously.

Total revenues from continuing operations for the quarter were \$84.8 million, compared with \$82.4 million for the second quarter of 2009. Adjusted EBITDA for the quarter totaled \$54.6 million, compared with \$57.3 million in the second quarter 2009. (A reconciliation of net income available to common shareholders to Adjusted EBITDA is provided at the end of this release.)

BRE's year-over-year earnings and FFO results reflect the impact of the following during 2010: (1) declines in same-store property-level operating results from 2009 levels; (2) normalized levels of G&A expense (G&A levels in 2009 were reduced by out-of-the-money stock based compensation awards); and (3) the impact of acquisition costs from investment transactions. The company also carried a higher level of outstanding shares from equity issued in 2009 and 2010. During the second quarter of 2010 compared to the second quarter of 2009, the company received the benefit of \$2.2 million in additional NOI generated by recently developed properties that are not included in the same-store pool, and \$1.0 million in NOI from acquisition communities.

### **Six-Month Period Ended June 30, 2010**

For the first half of 2010, FFO totaled \$58.3 million, or \$0.97 per share, compared with \$72.0 million, or \$1.37 per share, for the same period in 2009. FFO for the first half of 2010 includes the previously cited one-time compensation costs and loss on retirement of debt as well as acquisition-related expenses totaling \$1.4 million, or \$0.03 per share. FFO for the first half of 2009 included a \$2.0 million, \$0.04 per share, net gain on retirement of debt cited previously.

Net income available to common shareholders for the first half of 2010 totaled \$21.8 million, or \$0.37 per diluted share, compared with \$41.2 million, or \$0.79 per diluted share, for the same period 2009. Net income totals for both 2009 and 2010 periods include the gains on sales and non-operating income, and expense items cited previously.

For the first half of 2010, total revenues from continuing operations were \$167.2 million, compared with \$165.0 million for the same period in 2009. Adjusted EBITDA for the first half of 2010 totaled \$108.5 million, compared with \$115.7 million for the same period in 2009.

## **Same-Store Property Results**

BRE defines same-store properties as stabilized apartment communities owned by the company for at least five full quarters. Of the 21,604 apartment units owned directly by BRE, same-store units totaled 19,218 for the quarter. The same-store pool reflects a reduction of 978 units from the first quarter 2010 pool related to the classification of two communities in the Inland Empire as held for sale.

On a year-over-year basis, overall same-store revenues and net operating income for the second quarter declined 2.7% and 4.9%, respectively. The GAAP (straight line) impact of rental concessions in the same-store portfolio totaled \$2.8 million for the second quarter 2010, compared with \$2.3 million for the same period in 2009. New concessions awarded in the same-store portfolio during the second quarter of 2010 totaled approximately \$400,000, compared to \$4.5 million in the same quarter a year ago. Physical occupancy levels averaged 95.7% during the second quarter 2010, compared with 93.9% for the same period in 2009. Annualized turnover during the second quarter was 65%; year-to-date annualized turnover is averaging 61%, compared with 65% for the same period in 2009.

On a sequential basis, overall same-store revenues increased 0.5%, and NOI declined 0.3% from the first quarter of 2010. The sequential improvement in same-store revenues was the first since the third quarter of 2008. Physical occupancy levels improved 70 basis points, and effective rents on new leases improved 2.8% from first quarter 2010 levels.

## **Community Development Activity**

During the second quarter 2010, BRE had two development communities in lease-up: Belcarra in Seattle, Washington (296 units), and Villa Granada in Santa Clara, California (270 units, when complete). The current physical occupancy at these communities is: Belcarra, 96%; and Villa Granada, 28% (of units delivered). Since the communities opened, leasing velocity has averaged 34 units per month at Belcarra and 33 units per month at Villa Granada. Average occupancy for the second quarter was 76% at Belcarra, and 19% (of units delivered) at Villa Granada. The first 124 units at Villa Granada were completed during the second quarter; the remaining 146 units will be completed during the third quarter.

BRE owns four land parcels, two in Southern California and two in Northern California, representing 1,298 units of future development, and an estimated aggregate investment of \$580 million upon completion.

## **Capital Markets Activity**

As previously reported, on April 7, the company closed an offering of 8,050,000 shares of common stock (including underwriters' over-allotment option for 1,050,000 shares) at a price of \$34.25 per share. Net

proceeds totaling approximately \$264 million were used to pay down the company's unsecured line of credit and position the company for potential future investment activity. During the second quarter, the company did not issue any stock under its at-the-market equity program. The company may sell up to \$250 million of its common stock through the program on file.

During the quarter, the company repurchased through open market transactions \$15.0 million of its 4.125% convertible notes, at par, resulting in a net loss of \$558,000, or \$0.01 per share after accelerated amortization of fees and debt discounts. The principal amount outstanding on the \$460 million original issue is \$356.3 million as of June 30, 2010.

### **Investment Activity**

On April 20, 2010, the company acquired Museum Park, a stabilized property in San Jose, California, for \$29.6 million. Built in 2002, Museum Park has 117 units.

On April 5, 2010, the company sold Montebello Apartments in the Seattle suburb of Kirkland, Washington for approximately \$39 million. The company recorded a gain on sale of approximately \$11.7 million during the second quarter of 2010.

During the second quarter, the company classified two communities in the Inland Empire of Southern California as held for sale. The two assets are: Pinnacle Riverwalk, a 714-unit community, with a net carrying value of \$67.1 million; and Boulder Creek, a 264-unit community, with a net carrying value of \$16.5 million.

### **Common and Preferred Dividends Declared**

On July 29, 2010, the BRE board of directors approved regular common and preferred stock dividends for the quarter ending September 30, 2010. All common and preferred dividends will be payable on Thursday, September 30, 2010 to shareholders of record on Wednesday, September 15, 2010. The quarterly common dividend payment of \$0.375 is equivalent to \$1.50 per share on an annualized basis, and represents a yield of approximately 3.5% on Monday's closing price of \$42.98 per share. BRE has paid uninterrupted quarterly dividends to shareholders since the company's founding in 1970.

The company's 6.75% Series C preferred dividend is \$0.421875 per share; the 6.75% Series D preferred dividend is \$0.421875 per share.

## **2010 Earnings Outlook**

The company has adjusted its FFO per share guidance for the full year 2010 to a range of \$1.84 to \$1.92 from the previous range of \$1.72 to \$1.87 provided in its earnings release dated May 4, 2010. The revised guidance range reflects updates to the following items:

### *Same Store Operations*

- Same-store 2010 revenues are now expected to decline over 2009 same-store revenue levels in a range of 2.25% to 3.0%, from a previously guided decline ranging from 3.00% to 4.50%.
- Same-store NOI for 2010 is estimated to decline over 2009 same-store NOI levels in a range of 4.0% to 5.0%, from a previously guided decline ranging from 5.00% to 7.50%.

### *Lease Up NOI*

- Annual NOI from properties in lease-up is now expected to total approximately \$12.5 million to \$13.0 million, from a previously guided range of \$9.5 million to \$10.5 million.

### *Interest Expense*

- Annual interest expense is now expected to total \$83.7 million to \$84.2 million.

### *Investment / Capital Markets Activity*

- Previous guidance provided did not assume any asset sales. Current guidance assumes the assets classified as held for sale as of June 30, 2010 will be sold during the third quarter of 2010. The NOI lost from these assets is expected to range from \$2.0 million to \$2.5 million. The company expects to use proceeds from the asset sales to pay down outstandings under its line of credit.
- While the company is pursuing acquisitions the guidance does not give effect to these investments nor to any debt or equity that might be issued in connection with such investment activity.

Additional details regarding the updated guidance will be provided on the Q2 2010 analyst conference call.

## **Q2 2010 Analyst Conference Call**

The company will hold a conference call on Wednesday, August 4, at 11:00 a.m. Eastern (8:00 a.m. Pacific) to review these results. The dial-in number to participate in the United States and Canada is 888.290.1473; the international number is 706.679.8398. Enter Conf. ID# 76555420. A telephone replay of the call will be available for 31 days at 800.642.1687 or 706.645.9291 international, using the same ID# 76555420. A link to the live webcast of the call will be posted on [www.breproperties.com](http://www.breproperties.com), in Investors, on the Corporate Profile page. A webcast replay will be available for one month following the call.

### **Q3 2010 Earnings Dates**

The company will report third quarter 2010 earnings after close of market on Tuesday, November 2, 2010, followed by a conference call on Wednesday, November 3, 2010 at 11:00 a.m. Eastern (8:00 a.m. Pacific).

### **About BRE Properties**

BRE Properties, based in San Francisco, Calif., owns and manages apartment communities convenient to its residents' work, shopping, entertainment and transit in supply-constrained Western U.S. markets. BRE directly owns and operates 75 apartment communities totaling 21,604 units in California, Arizona and Washington. The company invests in communities through acquisition and development, and currently has five properties in various stages of development and construction, totaling 1,568 units, and joint-venture interests in 13 additional apartment communities, totaling 4,080 units. BRE Properties is a real estate investment trust (REIT) listed in the S&P MidCap 400 Index. For more information on BRE Properties, please visit our website at [www.breproperties.com](http://www.breproperties.com).

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