



## Financial Highlights

(\$ in thousands, unless otherwise noted)

	2009	2008	2007	2006	2005
<b>For the Period</b>					
Revenues	\$ 340,352	\$ 343,567	\$ 421,571	\$ 464,440	\$ 379,852
Funds from Operations (FFO) <sup>(1)</sup>	129,409	1,637	101,192	215,460	177,931
Net (Loss) Income Available to Common Shareholders	(509)	(55,429)	342,102	180,449	197,250
<b>Per Share</b>					
FFO - Diluted <sup>(1)</sup>	\$ 2.09	\$ 0.02	\$ 1.75	\$ 3.79	\$ 3.61
FFO - Basic <sup>(1)</sup>	\$ 2.09	\$ 0.02	\$ 1.76	\$ 3.82	\$ 3.63
Net (Loss) Income - Diluted	\$ (0.01)	\$ (1.19)	\$ 7.19	\$ 3.91	\$ 5.11
Net (Loss) Income - Basic	\$ (0.01)	\$ (1.19)	\$ 7.26	\$ 3.94	\$ 5.16
Dividends <sup>(2)</sup>	\$ 0.70	\$ 1.75	\$ 13.29	\$ 2.72	\$ 2.70
<b>At Year End</b>					
Total Market Capitalization (in millions) <sup>(3)</sup>	\$ 2,779	\$ 2,441	\$ 3,163	\$ 5,387	\$ 5,242
Total Long-Term Liabilities	\$ 1,704	\$ 1,762	\$ 1,642	\$ 2,398	\$ 2,494
Shares and Units Outstanding (in thousands)	74,529	57,407	57,269	56,724	55,729
Market Price of Common Shares	\$ 11.73	\$ 8.33	\$ 22.63	\$ 46.88	\$ 41.98
<b>Real Estate Portfolio</b>					
Number of Operating Properties	156	192	200	223	261
Multifamily - Apartment Homes <sup>(4)</sup>	33,524	34,598	36,314	38,111	44,337
Commercial - Leasable Square Feet (in millions) <sup>(5)</sup>	11.0	21.7	23.9	27.5	30.6
Real Estate Before Accumulated Depreciation (in millions)	\$ 3,512	\$ 3,379	\$ 3,216	\$ 4,418	\$ 4,544

(1) Funds from operations (FFO) is a supplemental non-GAAP financial measure used to measure the operating performance of equity REITs. A discussion of FFO and a reconciliation of FFO to net income available to common shareholders is included in Item 7, Funds from Operations, of our Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the Securities and Exchange Commission on February 26, 2010. FFO per share is calculated by dividing FFO by the weighted-average shares and units outstanding for the period.

(2) Dividends in 2007 include special distributions of \$10.75 per share.

(3) Consists of all outstanding indebtedness, the liquidation preference of the preferred shares, and the market price of our common shares and operating partnership units at year end.

(4) Represents apartment homes in which the company owns or maintains a partial ownership interest.

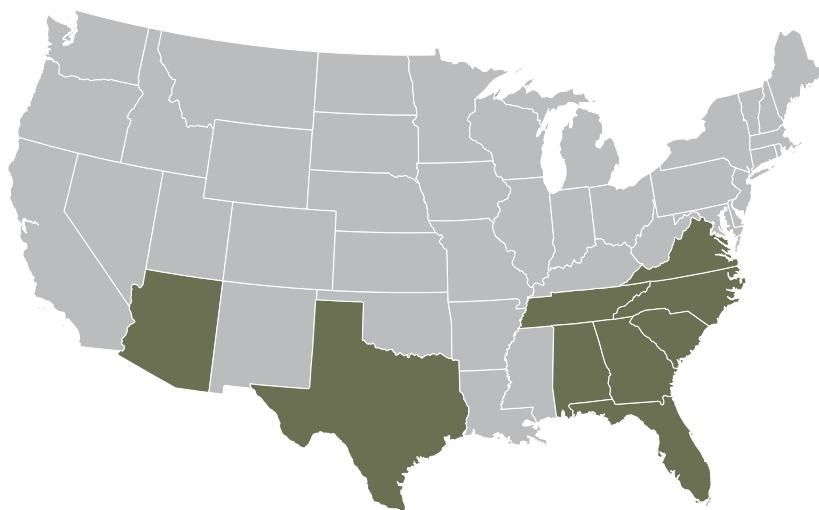
(5) Represents commercial leasable square feet in which the company owns or maintains a partial ownership interest.

## Premier Sunbelt Multifamily Platform

### Apartment Homes by Major Market <sup>(1)</sup>

Charlotte, NC	4,865
Dallas/Fort Worth, TX	4,480
Atlanta, GA	3,282
Austin, TX	2,908
Raleigh, NC	1,964
Orlando, FL	1,756
Richmond, VA	1,700
Charleston, SC	1,578
Savannah, GA	1,437
Birmingham, AL	1,262

(1) Represents the company's wholly-owned apartment homes in its top 10 markets.





## To Our Shareholders:

Thank you for your interest and investment in Colonial Properties Trust. In last year's letter, I outlined a bold agenda for 2009. These initiatives included: strengthening the balance sheet, improving liquidity, addressing near-term maturities, reducing overhead, and postponing/phasing developments. We delivered significant progress on each one of these goals in 2009 with the desired result of becoming stronger, leaner, and more focused.

We continued the improvement of our balance sheet through raising \$152 million of common equity and generating \$107 million of proceeds from the sale of commercial assets and condominiums. We placed \$506 million of 10-year secured financings with Fannie Mae at an average interest rate of 5.8% and repurchased \$579 million of unsecured senior notes at a discount of \$55 million which lengthened our debt maturity schedule. The unwinding of 7 joint ventures comprised of 37 properties eliminated \$231 million of our pro rata share of property-specific debt, reduced the associated overhead, and allowed us to further simplify our business. All together, these actions reduced corporate G&A by over 20% and improved our leverage ratio by 500 basis points to 53.8% at year end.

I'm pleased with the success of our team during the year to meet – and in several cases exceed – our objectives and timetable.

**Initiatives for 2010** Building on the success of our 2009 priorities, I have established four directives for 2010: simplify the business; improve our margins; strengthen the balance sheet; and grow the Company.

In terms of simplifying the business, we will continue to focus on multifamily operations with the long-term target of increasing the percentage of net operating income from our multifamily portfolio to greater than 90% of our total net operating income. Internally, we will continue to streamline our processes and structure to create greater shareholder value. We were successful in exiting certain commercial joint ventures in 2009, and we will continue to look for opportunities to reduce our joint venture exposure in 2010, but only when it is beneficial for our shareholders.

The second initiative is to improve our margins. This is a priority at the corporate level as well as the property level. We recognize this will be a difficult task in this economic environment, but we want to shine a light

**What We Said:**  
Strengthen Balance Sheet

**What We Did:**  
Raised equity capital totaling \$152 million and sold 370 condominium units along with 2 retail assets. Net result = 500 basis point improvement in leverage.

**What We Said:**  
Improve Liquidity

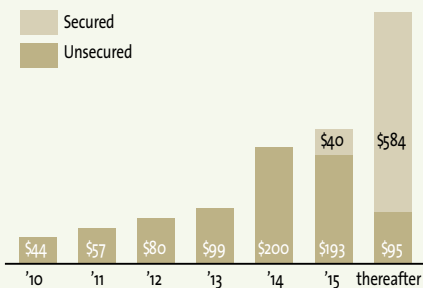
**What We Did:**  
Repurchased \$579 million of unsecured bonds at a discount. Completed 10-year secured financings of \$506 million with Fannie Mae at an average rate of 5.8%. Net result = lengthened debt maturity schedule with attractive fixed rates.



**What We Said:**  
Address Near-Term Maturities

**What We Did:**  
Eliminated \$231 million of property specific debt by exiting seven joint ventures, repurchased near-term unsecured senior notes, and lengthened our debt maturities with Fannie Mae financings.  
Net result = \$101 million of consolidated debt due through 2011.

**Debt Maturities**  
(\$ in millions)



Debt maturities as of 12/31/09 (consolidated debt only) and excludes the Company's unsecured line of credit that matures in June 2012.

on our margins to gain a commitment at all levels of the Company. We will enhance our processes and productivity to leverage the significant reductions in overhead from the last two years. As a leaner organization, we will be more aggressive in managing, marketing, and leasing our properties as well as creating new ways to execute more efficiently. We will look to dispose of non-revenue producing assets and will begin development on land we currently own when market conditions prove favorable.

We also will continue to improve our balance sheet. With only \$44 million of consolidated debt maturing in 2010 and \$57 million of consolidated debt maturing in 2011, we have manageable near-term refinancing. Our goal is to continue de-levering the balance sheet. To help us in this effort, the Board recently authorized a new \$50 million At-The-Market (ATM) Equity Program and a \$100 million unsecured note repurchase program for 2010. Building on our success in 2009, we continue to have an opportunity to lengthen our debt maturity schedule and lock in attractive long-term rates through secured financings through the Government Sponsored Enterprises (GSEs) and repurchase our unsecured debt in the open market. When the economy recovers, we expect interest rates to be higher than they are today, so we want to take full advantage of the opportunity at hand.

Lastly, our largest opportunity for growth is through the operating recovery of our existing portfolio to its 2007 operating levels. This achievement alone would add over \$22 million to FFO on an annualized basis. Also, we are actively exploring new acquisition and development opportunities. I noted a year ago that transforming to a much simpler corporate structure with improved liquidity and few immediate debt pressures should enable us to take advantage of select opportunities in a disciplined fashion. Our intent is to find newer assets that are attractively priced in markets that have recently experienced significant revenue declines and where we believe we can benefit from an economic recovery.

We are mindful of growing the portfolio through developments and acquisitions when de-levering is a top goal of the Company. To alleviate these concerns, we expect to match-fund this growth with additional equity. In doing so, we will be able to acquire assets that will grow in

*Based on the long-term demographics of Echo Boomers accounting for a larger percentage of the renting population and the long-term relative outperformance of our Sunbelt markets to the nation as a whole, we remain bullish on our apartment business.*



*The four directives for Colonial Properties Trust in 2010 are: simplify the business, improve margins, strengthen the balance sheet, and grow the Company.*





the future. It's important to take advantage of what we believe will be attractive growth opportunities in this point of the economic cycle.

**The Case for Multifamily** Based on the long-term demographics of Echo Boomers accounting for a larger percentage of the renting population and the long-term relative outperformance of our Sunbelt markets to the nation as a whole, we remain bullish on our apartment business.

Many of our major markets have worked through much of the single-family home inventories created by layoffs and foreclosures to the point that unsold housing supplies have moderated to early 2006 levels. However, the single-family housing supply is still above normal levels in markets such as Atlanta, Charlotte, and Phoenix. As a result, we expect continued pressure on revenue through most of 2010 with new lease rates declining and occupancy stabilizing; all of which will lead to a second year of net operating income declines.

Given the projected moderation of job losses and the typical trailing pattern in multifamily revenues, we could potentially see revenue declines moderating in the second half of 2010. That should set us up for growth in 2011 and 2012. As always, the key driver in our ability to increase NOI is job growth. The improving economic outlook to date has come without the benefit of job creation, which makes the recovery from this recession a bit unusual from previous cycles. When that job growth inevitably happens, we believe the hard work in 2009 and 2010 to become leaner, stronger, and more focused will reap significant returns for our shareholders.

Thank you for your continued investment with us. We look forward to reporting our progress to you during the year.

Sincerely,

Thomas H. Lowder  
Chairman and Chief Executive Officer



**4**  
*What We Said:*  
Reduce Overhead

*What We Did:*

Simplified our business structure, allowing significant overhead reduction and greater efficiency.  
Net result = 23% reduction in corporate overhead from 2008.

**5**  
*What We Said:*  
Postpone/Phase Developments

*What We Did:*

Postponed new apartment development and phased remaining commercial development.  
Net result = Capital preservation until economic recovery.

## CONSOLIDATED BALANCE SHEETS

*(In thousands, except per share data)*

	December 31, 2009	December 31, 2008
<b>ASSETS</b>		
Land, buildings and equipment	\$ 3,210,350	\$ 2,873,274
Undeveloped land and construction in progress	237,100	309,010
Less: Accumulated depreciation	(519,728)	(403,858)
Real estate assets held for sale	65,022	196,284
Net real estate assets	2,992,744	2,974,710
Cash and cash equivalents	4,590	9,185
Restricted cash	7,952	29,766
Accounts receivable, net	33,934	23,102
Notes receivable	22,208	2,946
Prepaid expenses	16,503	5,332
Deferred debt and lease costs	22,560	16,783
Investment in partially-owned unconsolidated entities	17,422	46,221
Deferred tax asset	-	9,311
Other assets	54,719	37,813
Total assets	\$ 3,172,632	\$ 3,155,169
<b>LIABILITIES, NONCONTROLLING INTEREST AND SHAREHOLDERS' EQUITY</b>		
Notes and mortgages payable	\$ 1,393,797	\$ 1,450,389
Unsecured credit facility	310,546	311,630
Total long-term liabilities	1,704,343	1,762,019
Accounts payable	28,299	53,565
Accrued interest	13,133	20,717
Accrued expenses	26,142	7,521
Other liabilities	15,054	38,890
Total liabilities	1,786,971	1,882,712
Redeemable Noncontrolling Interest:		
Common Units	133,537	124,848
Commitments and Contingencies (see Note 19)		
Preferred shares of beneficial interest, \$.01 par value, 20,000,000 shares authorized:		
8 1/8% Series D Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25 per depositary share, 4,004,735 and 4,011,250 depositary shares issued and outstanding at December 31, 2009 and 2008, respectively	4	4
Common shares of beneficial interest, \$.01 par value, 125,000,000 shares authorized; 71,989,227 and 54,169,418 shares issued at December 31, 2009 and 2008, respectively	720	542
Additional paid-in capital	1,760,362	1,619,897
Cumulative earnings	1,296,188	1,281,330
Cumulative distributions	(1,753,015)	(1,700,739)
Noncontrolling Interest	100,985	101,943
Treasury shares, at cost; 5,623,150 shares at December 31, 2009 and 2008	(150,163)	(150,163)
Accumulated other comprehensive loss	(2,957)	(5,205)
Total shareholders' equity	1,252,124	1,147,609
Total liabilities, noncontrolling interest and shareholders' equity	\$ 3,172,632	\$ 3,155,169

# CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(In thousands, except share and per share data)

	For The Years Ended		
	December 31, 2009	December 31, 2008	December 31, 2007
<b>Revenue:</b>			
Rentals	\$ 279,217	\$ 275,874	\$ 318,554
Rentals from affiliates	77	96	1,153
Percentage rent	219	418	917
Tenant recoveries	4,353	4,249	11,484
Other property related revenue	41,447	34,466	31,671
Construction revenues	36	10,137	38,448
Other non-property related revenue	15,003	18,327	19,344
<b>Total revenue</b>	<b>340,352</b>	<b>343,567</b>	<b>421,571</b>
<b>Operating expenses:</b>			
Property operating expenses	95,395	84,134	92,433
Taxes, licenses, and insurance	39,948	38,383	43,886
Construction expenses	35	9,530	34,546
Property management expenses	7,749	8,426	12,178
General and administrative expenses	17,940	23,185	25,650
Management fee and other expenses	14,184	15,153	15,665
Restructuring charges	1,400	1,028	3,019
Investment and development expenses	1,989	4,358	1,516
Depreciation	113,100	101,342	108,771
Amortization	4,090	3,371	10,475
Impairment and other losses	10,390	93,100	44,129
<b>Total operating expenses</b>	<b>306,220</b>	<b>382,010</b>	<b>392,268</b>
<b>Income (loss) from operations</b>	<b>34,132</b>	<b>(38,443)</b>	<b>29,303</b>
<b>Other income (expense):</b>			
Interest expense and debt cost amortization	(91,986)	(75,153)	(92,475)
Gains (losses) on retirement of debt	56,427	15,951	(10,363)
Interest income	1,446	2,776	8,359
(Loss) income from partially-owned unconsolidated entities	(1,243)	12,516	11,207
(Losses) gains on hedging activities	(1,709)	(385)	345
Gains from sales of property, net of income taxes of \$3,157, \$1,546 and \$6,548 for 2009, 2008 and 2007, respectively	5,875	6,776	314,292
Income tax benefit and other	10,086	1,014	15,743
<b>Total other income (expense)</b>	<b>(21,104)</b>	<b>(36,505)</b>	<b>247,108</b>
<b>Income (loss) from continuing operations</b>	<b>13,028</b>	<b>(74,948)</b>	<b>276,411</b>
Income (loss) from discontinued operations	421	(18,635)	11,018
Gain on disposal of discontinued operations, net of income taxes of \$70, \$1,064 and \$1,839 for 2009, 2008 and 2007, respectively	1,729	43,062	91,144
<b>Income from discontinued operations</b>	<b>2,150</b>	<b>24,427</b>	<b>102,162</b>
<b>Net income (loss)</b>	<b>15,178</b>	<b>(50,521)</b>	<b>378,573</b>
<b>Continuing operations</b>			
Noncontrolling interest in CRLP - common unitholders	463	15,436	7,856
Noncontrolling interest in CRLP - preferred unitholders	(7,250)	(7,251)	(7,250)
Noncontrolling interest of limited partners	(999)	(531)	(2,085)
<b>Discontinued operations</b>			
Noncontrolling interest in CRLP from discontinued operations	(381)	(4,211)	(17,954)
Noncontrolling interest of limited partners in discontinued operations	597	449	(3,239)
<b>Income attributable to noncontrolling interest</b>	<b>(7,570)</b>	<b>3,892</b>	<b>(22,672)</b>
<b>Net income (loss) attributable to parent company</b>	<b>7,608</b>	<b>(46,629)</b>	<b>355,901</b>
Dividends to preferred shareholders	(8,142)	(8,773)	(13,439)
Preferred share issuance costs write-off	25	(27)	(360)
<b>Net (loss) income available to common shareholders</b>	<b>\$ (509)</b>	<b>\$ (55,429)</b>	<b>\$ 342,102</b>
<b>Net (loss) income per common share - basic:</b>			
(Loss) income from continuing operations	\$ (0.06)	\$ (1.63)	\$ 5.51
Income from discontinued operations	0.05	0.44	1.75
<b>Net (loss) income per common share - basic</b>	<b>\$ (0.01)</b>	<b>\$ (1.19)</b>	<b>\$ 7.26</b>
<b>Net (loss) income per common share - diluted:</b>			
(Loss) income from continuing operations	\$ (0.06)	\$ (1.63)	\$ 5.46
Income from discontinued operations	0.05	0.44	1.73
<b>Net (loss) income per common share - diluted</b>	<b>\$ (0.01)</b>	<b>\$ (1.19)</b>	<b>\$ 7.19</b>
Weighted average common shares outstanding - basic	53,266	47,231	46,356
Weighted average common shares outstanding - diluted	53,266	47,231	46,833
<b>Net income (loss)</b>	<b>\$ 15,178</b>	<b>\$ (50,521)</b>	<b>\$ 378,573</b>
<b>Other comprehensive income (loss):</b>			
Unrealized loss on cash flow hedging activities	-	(100)	(535)
Adjust for amounts included in Net income (loss)	2,248	-	-
Change related to pension plan termination	-	-	2,615
<b>Comprehensive income (loss)</b>	<b>\$ 17,426</b>	<b>\$ (50,621)</b>	<b>\$ 380,653</b>

## Trustees & Senior Officers

### Trustees

**Carl F. Bailey**<sup>1,2,3</sup>  
*Chairman, TekQuest Industries, Inc.; Board of Trustees, Birmingham Southern College; Co-Chairman (Ret.), BellSouth Telecommunications, Inc.; Chairman and CEO (Ret.), South Central Bell Telephone Company*

**M. Miller Gorrie**<sup>3</sup>  
*Chairman of the Board and Chief Executive Officer, Brasfield & Gorrie, LLC; Director, American Cast Iron Pipe Co.*

**William M. Johnson**<sup>3,4</sup>  
*President and Chief Executive Officer, Johnson Development Company*

**Glade M. Knight**  
*Chairman of the Board and CEO, Apple REIT Companies*

**James K. Lowder**<sup>3</sup>  
*Chairman, The Colonial Company; Director, Alabama Power Company*

**Thomas H. Lowder**<sup>3</sup>  
*Chairman of the Board and Chief Executive Officer, Colonial Properties Trust*

**Herbert A. Meisler**<sup>1,4</sup>  
*President, The Rime Companies; Director, Mobile Airport Authority*

**Claude B. Nielsen**<sup>2,4\*</sup>  
*Chairman of the Board, President and Chief Executive Officer, Coca-Cola Bottling Company United, Inc.; Director, Regions Financial Corporation*

**Harold W. Ripps**<sup>3</sup>  
*Chief Executive Officer, The Rime Companies*

**John W. Spiegel**<sup>1\*,2,4</sup>  
*Vice Chairman and Chief Financial Officer (Ret.), SunTrust Banks, Inc.; Director, RockTenn Company, Inc.; Director, CPEX Pharmaceuticals, Inc.; and Director, S1 Corporation*

\*Indicates committee chair

1 Audit Committee

2 Corporate Governance Committee

3 Executive Committee

4 Executive Compensation Committee

### Senior Officers

**Thomas H. Lowder**  
*Chairman of the Board and Chief Executive Officer*

**C. Reynolds Thompson, III**  
*President and Chief Financial Officer*

**Paul F. Earle**  
*Chief Operating Officer*

**John P. Rigrish**  
*Chief Administrative Officer, Corporate Secretary*

**Jerry A. Brewer**  
*Executive Vice President, Finance*

**Robert A. Jackson**  
*Executive Vice President, Commercial Division*

**Bradley P. Sandidge**  
*Executive Vice President, Accounting*

**Edward T. Wright**  
*Executive Vice President, Development and Construction*

## Corporate Shareholder Information

### Corporate Headquarters

2101 Sixth Avenue North, Suite 750  
Birmingham, AL 35203  
(205) 250-8700  
www.colonialprop.com

### Independent Accountants

Deloitte & Touche LLP  
Birmingham, AL

### Corporate Counsel

Hogan & Harston LLP  
Washington, DC

### Transfer Agent and Registrar

Computershare Investor Services  
P.O. Box 43078  
Providence, RI 02940-3078  
www.computershare.com

### Shares Listed

New York Stock Exchange (NYSE),  
symbol: CLP

### Annual Meeting

The Annual Meeting of Shareholders of Colonial Properties Trust is scheduled for Wednesday, April 28, 2010, at 10:30 a.m. CDT, 1st floor conference room of Colonial Brookwood Center, 569 Brookwood Village, Suite 131, Homewood, AL 35209.

### Form 10-K

A copy of the company's Annual Report on Form 10-K for the year ended December 31, 2009, which has been filed with the Securities and Exchange Commission, accompanies this annual report. Address inquiries to Investor Relations at the company's corporate headquarters.

### Share Ownership

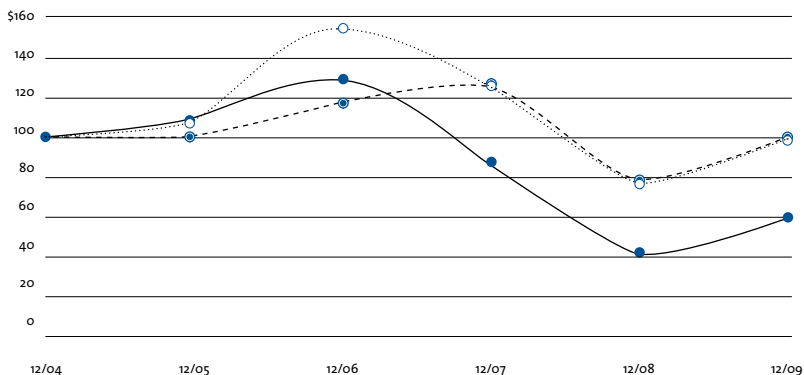
As of February 19, 2010, the company had an estimated 3,747 shareholders of record and 41,700 beneficial owners.

### Direct Investment Program

Colonial Properties Trust offers a Direct Investment Program that allows shareholders to make initial purchases of shares directly from the company and automatically invest dividends, as well as make voluntary cash payments for the purchase of additional shares. To receive more information, contact the company's Transfer Agent, Computershare Investor Services, at (866) 897-1807 or the Investor Relations department at (800) 645-3917.

## Comparison of 5 Year Cumulative Total Return\*

Among Colonial Properties Trust, The S&P Index and the FTSE NAREIT Equity REITs Index



- Colonial Properties Trust
- S&P 500
- FTSE NAREIT Equity REITs

\*\$100 invested on 12/31/04 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

### Forward-Looking Statements

Certain statements in this annual report may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and involve known and unknown risks, uncertainties and other factors that may cause the company’s actual results, performance, achievements or transactions to be materially different from the results, performance, achievements or transactions expressed or implied by the forward looking statements. Factors that impact such forward looking statements include, among others, economic, business and real estate conditions and markets, including recent deterioration in the economy and high unemployment in the U.S., together with the downturn in the overall U.S. housing market resulting in weakness in the multifamily market and the extent, strength and duration of the current recession or recovery; exposure, as a multifamily focused REIT, to risks inherent in investments in a single industry; ability to obtain financing on reasonable rates, if at all; performance of affiliates or companies in which we have made investments; changes in operating costs; higher than expected construction costs; uncertainties associated with the timing and amount of real estate disposition and the resulting gains/losses associated with such dispositions; legislative or regulatory decisions; our ability to continue to maintain our status as a REIT for federal income tax purposes; price volatility, dislocations and liquidity disruptions in the financial markets and the resulting impact on availability of financing; the effect of any rating agency actions on the cost and availability of new debt financings; level and volatility of interest or capitalization rates or capital market conditions; effect of any terrorist activity or other heightened geopolitical crisis; or other factors affecting the real estate industry generally. Except as otherwise required by the federal securities laws, the company assumes no responsibility to update the information in this annual report. The company refers you to the documents filed by the company from time to time with the Securities and Exchange Commission, specifically the section titled “Risk Factors” in the company’s Annual Report on Form 10-K for the year ended December 31, 2009, as may be updated or supplemented in the company’s Form 10-Q filings, which discuss these and other factors that could adversely affect the company’s results.

