



COMPANY UPDATE / ESTIMATE CHANGES

MAA - NYSE (as of 1/31/2018)	\$95.37
Price Target	NA
52-Week Range	\$90.88 - \$110.95
Shares & Units Outstanding (mm)	118
Market Cap. (\$mm)	\$11,254
3-Mo. Average Daily Volume (000)	660
Institutional Ownership	96%
Debt/Total Market Capital (12/17)	28%
Est 3 - Year Dividend Growth Rate	4% - 6%
Annual Dividend	\$3.69
Dividend Yield	3.9%
Total Adjusted EBITDA to Fixed Charges (12/17)	4.73x

FFO Per Common Share & Unit FY 12/31

	2016	2017	Prior 2018E	Curr. 2018E
1Q	\$1.50	\$1.46	\$1.49	\$1.45
2Q	\$1.54	\$1.48	\$1.51	\$1.46
3Q	\$1.47	\$1.50	\$1.55	\$1.54
4Q	\$1.13	\$1.50	\$1.55	\$1.59
Year	\$5.59	\$5.94	\$6.10	\$6.04
P/FFO	17.1x	16.1x		15.8x

*Previous numbers have not been restated.

Quarterly numbers may not add up to full year amounts due to additional shares issued to complete a merger or rounding.

Property Revenue (\$mm)

	2016	2017	Prior 2018E	Curr. 2018E
1Q	\$269	\$379	\$392	\$385
2Q	\$272	\$383	\$395	\$389
3Q	\$277	\$385	\$400	\$397
4Q	\$307	\$383	\$409	\$402
Year	\$1,125	\$1,529	\$1,595	\$1,574

*Quarterly amounts may not add up to full year amounts due to rounding and the timing of dispositions.

Company Description: *Mid-America Apartment Communities, headquartered in Memphis, Tennessee, is a REIT that owns apartment communities throughout the Southeast and Southwest region of the United States.*

Mid-America Apartment Communities

MAA -- NYSE -- Neutral -- 3

Fourth Quarter Results

- **Fourth quarter FFO were \$1.50 per share compared to \$1.13 per share in the year ago period.** Results came in above our and the consensus estimate.
- **Combined adjusted same-store average physical occupancy ended the quarter at 96.2%.** On the same basis, same-store average effective rent increased 1.7%.
- **Dividend Increase.** On December 5, 2017, MAA announced a 6% increase in the quarterly dividend to \$0.9225 per share or \$3.69 annually.
- **Guidance.** Management initiated 2018 FFO per share guidance of \$5.85 to \$6.15. Our 2018 FFO per share estimate is \$6.04, down slightly from our prior estimate of \$6.10 based primarily on our lower rental rate growth assumptions.
- **We continue to rate MAA Neutral.** Given a pullback in price and no change in fundamentals, we would look to raise our rating on the shares.

Note Important Disclosures on Pages 6 - 7.
Note Analyst Certification on Page 6.

Additional Discussion

Rental and other property revenues were \$382.7 million versus \$307.2 million in 2016's fourth quarter, a 24.6% increase (please see income statement on page 3). (4Q17 results include a full quarter of ownership of the properties MAA acquired in the merger with Post Properties. 4Q16 results include a partial quarter ownership of those properties.) Combined adjusted same store physical occupancy, which excludes communities being renovated or leased-up, was 96.2% at quarter end. Occupancy continues to benefit from low resident turnover.

Net income available to common shareholders was \$122.5 million versus \$39.1 million in the prior year's fourth quarter. EPS were \$1.08 versus \$0.44. Funds from operations, which exclude real estate gains, were \$177.9 million versus \$104.2 million, a 70.1% increase. FFO per share were \$1.50 versus \$1.13 on a 27.4% increase in shares and units outstanding.

Combined Adjusted Same-Store Performance					
	% Change				
	Revenue	Expense	NOI	Avg. Effective Rent	Period End Phy. Occupancy
Large Markets	1.6%	1.3%	1.7%	1.5%	96.2%
Secondary Markets	2.6%	1.1%	3.6%	2.4%	96.1%
Combined Adjusted Same Store	1.8%	1.3%	2.2%	1.7%	96.2%
Note: 4Q17 over 4Q16				Source: Company reports as of December 31, 2017	

Markets - Mid-America categorizes its properties by large and secondary markets. Large markets are markets with a population of one million or more and at least 1% of the total public multifamily REIT units. Secondary markets are markets with either a population of less than one million or less than 1% of the total public multifamily REIT units, or both. Mid-America typically has less competition in secondary markets, which tend to be more stable in an economic downturn than large markets. We believe the combination of properties in large and secondary markets offers MAA a good form of diversification in the apartment sector, although a profit or protection against losses cannot be assured. In 4Q, secondary markets outperformed large markets based on same-store NOI growth.

Leasing Environment - MAA's twelve month rolling turnover was 50.1%, which is low on a historical basis. Move outs to buy a home remain low. MAA is seeing new supply in its markets, putting pressure on leasing.

Acquisitions & Dispositions - During 4Q, MAA purchased a 320 unit, newly developed, apartment community in the Nashville, Tennessee market for \$71.8 million. The company sold two apartment communities in the Atlanta, Georgia market for \$97.4 million.

Development - The company has a total of three projects under development. Total development spend for these projects is expected to be \$214.0 million, with \$46.3 million remaining to be funded.

Redevelopment - During 4Q17, MAA renovated 1,832 units at an average cost of \$6,503 per unit.

Financials & Debt Maturities - We believe MAA's balance sheet is in good shape. Debt to total market capitalization at quarter-end was 27.6%. The company has \$418.9 million of debt maturing in 2018 and \$579.3 million maturing in 2019.

2018 Guidance and Outlook - Management initiated 2018 FFO guidance of \$5.85 - \$6.15 per share. Acquisitions are expected to be \$300.0 million to \$350.0 million and dispositions are expected to be zero. Management expects to invest \$75.0 million to \$125.0 million in developments. MAA anticipates \$8.0 to \$10.0 million of merger and integration expenses in 2018. Our 2018 FFO per share estimate is \$6.04.

Quarterly Income Statement

(in thousands, except per share amount)	4Q17	4Q16	% Change
Rental and Other Property Revenues	\$382,738	\$307,198	24.6%
Property Operating Expenses	(140,310)	(112,874)	
Property Management Expenses	(11,581)	(8,872)	
Property NOI	230,847	185,452	24.5%
Depreciation	(119,423)	(95,129)	
General and Administrative	(9,459)	(8,782)	
Merger Related Expenses	(5,492)	(36,923)	
Acquisition Expenses			
Integration Related Expenses			
Income from Continuing Operations Before Non-Operating Items	96,473	44,618	116.2%
Interest and Other Non-Property Income	3,320	(571)	
Interest Expense	(39,746)	(33,529)	
Gain (Loss) on Debt Extinguishment / Debt Refinancing			
Amortization of Deferred Financing Costs			
Net Casualty (Loss) Gains and Other Settlement Proceeds			
Gain on Sale of Depreciable Real Estate Assets	68,341	31,825	
Gain (Loss) on Sale of Non-depreciable Assets	(21)		
Gain on Properties Contributed to Joint Ventures			
Asset Impairment			
Gain (Loss) from Real Estate Joint Ventures	349	214	
Income Tax Expense	(709)	(499)	
Income From Continuing Operations	128,007	42,058	204.4%
Income (Loss) from Discontinued Operations			
Asset Impairment of Discontinued Operations			
Net Loss on Insurance and Other Settlement Proceeds of Discontinued Operations			
Gain (Loss) on Sale of Discontinued Operations			
Income Before Gain on Sale of Depreciable Assets	128,007	42,058	204.4%
Gain on Sale of Depreciable Assets			
Gain on Sale of Non-Depreciable Assets			
Net Income Attributable to Noncontrolling Interest	(4,557)	(2,672)	
Net Income Attributable to Mid-America Apartment Communities	123,450	39,386	213.4%
Preferred Dividend Distribution	(922)	(307)	
Premiums and Original Issuance Costs Associated with the Redemption of Preferred Stock			
Net Income Available for Common Shareholders	\$122,528	\$39,079	213.5%
EPS	\$1.08	\$0.44	145.5%
	113,719	88,392	28.7%

Funds From Operations	4Q17	4Q16	% Change
Net Income Available for Common Shareholders	\$122,528	\$39,079	213.5%
Depreciation of Real Estate Assets	118,309	94,200	25.6%
Asset Impairment			
Net (Gain) on Insurance and Other Settlement Proceeds			
Gain on Properties Contributed to Joint Ventures			
Net Casualty Loss and Other Settlement Proceeds of Discontinued Operations			
Gain on Dispositions Within Real Estate Joint Ventures			
Depreciation of Real Estate Assets of Discontinued Operations			
Gain on Sale of Discontinued Operations			
Gain on Sale of Depreciable Assets	(68,341)	(31,825)	
Depreciation of Real Estate Assets of Real Estate Joint Ventures	146	50	
Net Income Attributed to Noncontrolling Interest	4,557	2,672	
Funds From Operations	\$177,199	\$104,176	70.1%
FFO Per Share	\$1.50	\$1.13	32.7%
Shares & Units for FFO Calculation	117,861	92,535	27.4%

Previous numbers have been restated.

Source: Company reports

Condensed Balance Sheet

(in thousands)	12/31/2015	12/31/2016	12/31/2017
Land	\$926,532	\$1,816,008	\$1,836,417
Buildings and Improvements and Other	6,939,288	10,523,762	11,281,504
Furniture, Fixtures, and Equipment	228,157	298,204	
Capital Improvement in Progress	44,355	231,224	116,833
Less Accumulated Depreciation	(1,482,368)	(1,656,071)	(2,075,071)
	6,655,964	11,213,127	11,159,683
Land Held for Future Development	51,779	71,464	57,285
Commercial Properties, net	8,812	12,778	5,321
Assets Held for Sale			
Investments in Real Estate Joint Ventures	1,811	44,493	44,956
Real Estate Assets, net	6,718,366	11,341,862	11,267,245
Assets Held for Sale			
Cash and Cash Equivalents	37,559	33,536	10,750
Restricted Cash	26,082	88,264	78,117
Deferred Financing Costs, net	5,232	5,065	
Goodwill, net	1,607	1,239	
Other Assets	58,935	134,525	135,807
Total Assets	\$6,847,781	\$11,604,491	\$11,491,919
Debt- Notes Payable	\$1,286,236	\$1,319,088	\$976,292
Unsecured Notes Payable	2,141,332	3,180,624	3,525,765
Accounts Payable	9,142	11,970	
Accrued Expenses & Other Liabilities	233,375	421,806	405,560
Security Deposits	11,623	18,829	
Liabilities Associated with Assets Held for Sale			
Total Liabilities	\$3,681,708	\$4,952,317	\$4,907,617
Minority Interest			
Redeemable Stock	8,250	10,073	10,408
Total Shareholders' Equity	\$2,992,097	\$6,403,819	\$6,339,912
Noncontrolling Interest	165,726	238,282	233,982
Total Equity	\$3,157,823	\$6,642,101	\$6,573,894
Total Liabilities and Equity	\$6,847,781	\$11,604,491	\$11,491,919

Balance Sheet Ratio Analysis	12/31/2015	12/31/2016	12/31/2017
Total R/E Investments / Total Debt	196.0%	252.1%	250.3%
Debt to Total Shareholder's Equity	114.6%	70.3%	71.0%
Debt as % of Total Assets	50.1%	38.8%	39.2%
Shareholders' Equity as % of Total Assets	43.7%	55.2%	55.2%

Previous numbers have not been restated.

Source: Company reports

Valuation

At 15.8x our 2018 FFO per share estimate of \$6.04, MAA's stock is trading at a discount to a select peer group of other apartment REITs we track, and near its five year historic forward P/FFO multiple. We believe MAA is one of the stronger apartment REITs in the group based on its balance sheet strength, ability to weather a difficult employment environment (as seen over the past few years), ability to complete acquisitions, and low near-term liquidity risk. We continue to rate MAA Neutral as we believe the shares are fairly valued at this time.

Apartment REITS	Symbol	Price 1/31/2018	Current Dividend	Yield	Payout Ratio	FFO Per Share FY 2016	FY 2017E	FY 2018E	2-Year Exp. Avg. Growth	18/17E Growth	Price / FFO FY 2017E	FY 2018E
Equity Residential Property	EQR	\$61.61	\$2.02	3.3%	64.0%	\$3.09	\$3.15	\$3.25	2.6%	3.2%	19.6x	19.0x
Essex Property Trust	ESS	\$232.98	\$7.00	3.0%	58.8%	\$11.00	\$11.90	\$12.42	6.5%	4.4%	19.6x	18.8x
Camden Property Trust	CPT	\$86.56	\$3.00	3.5%	66.2%	\$4.63	\$4.53	\$4.79	1.7%	5.7%	19.1x	18.1x
Apartment Investment Management	AIV	\$41.84	\$1.44	3.4%	58.8%	\$2.30	\$2.45	\$2.53	5.0%	3.3%	17.1x	16.5x
Peer Average		\$105.75	\$3.36	3.3%	\$0.62	\$5.26	\$5.51	\$5.75	4.7%	4.4%	19.2x	18.4x
S&P 500	.SPX	2,823.81	\$50.09	1.8%	38.2%	\$117.75	\$131.00	\$145.29	11.7%	10.9%	21.6x	19.4x
Mid-America Apartment Communities	MAA	\$95.37	\$3.69	3.9%	62.1%	\$5.59	\$5.94	\$6.04	4.0%	1.7%	16.1x	15.8x

SPX figures are EPS, not FFO per share.

Source: NAREIT, HL Estimates, and Thomson Eikon.

Dividend - On December 5, 2017, MAA announced a 6% increase in the quarterly dividend to \$0.9225 per share or \$3.69 annually.

Suitability

We assign shares of Mid-America Apartment Communities a suitability rating of 3 on our scale of 1 - 4 (1=most conservative, 4=most aggressive). Our rating is based on the company's lack of property type diversification offset by what we see as a strong balance sheet.

Risks and Considerations

Interest Rate Risk - Like all REITs, Mid-America is interest rate sensitive. With debt to total capitalization of 27.6% and with 17.0% of total outstanding debt not being fixed or hedged at the end of the fourth quarter, MAA could experience an increase in interest expense in a rising interest rate environment.

Other External Risks - If unemployment rates rise, MAA could begin to see more renters moving out to a cheaper alternative place of living (moving back home with parents, moving in with a roommate, etc.). MAA could have to offer more leasing concessions to attract new tenants. Higher cost of operations and property taxes could decrease margins. If lending standards loosen, MAA could see more renters move out to buy a house.

Internal Risks - If the company pays too much for acquisitions or invests in redevelopment projects that do not provide a sufficient return, the company's net income and FFO could be lower, inhibiting the stock price.

Additional information is available upon request.

Analyst Certification

I, Carol L. Kemple, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Investment Ratings

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid total returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

Suitability Ratings

1 - A large cap, core holding with a solid history

2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage

4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	31	28%	10%	90%
Hold/Neutral	75	67%	9%	91%
Sell	6	5%	0%	100%

As of 8 January 2018

Other Disclosures

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