MID AMERICA APARTMENT COMMUNITIES INC
Form 10-Q
July 31, 2008

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2008

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission File Number: 1-12762

MID-AMERICA APARTMENT COMMUNITIES, INC.
(Exact name of registrant as specified in its charter)

TENNESSEE (State or other jurisdiction of incorporation or organization)	62-1543819 (I.R.S. Employer Identification No.)
6584 POPLAR AVENUE, SUITE 300 MEMPHIS, TENNESSEE (Address of principal executive offices)	38138 (Zip Code)

(901) 682-6600
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

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

Large accelerated filer þ Accelerated filer ¨

Non-accelerated filer ¨ Smaller Reporting Company ¨

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Number of Shares Outstanding at July 15, 2008
Common Stock, $0.01 par value	27,498,199

MID-AMERICA APARTMENT COMMUNITIES, INC.

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Mid-America Apartment Communities, Inc.
Condensed Consolidated Balance Sheets
June 30, 2008 (Unaudited) and December 31, 2007
(Dollars in thousands, except per share data)

	June 30, 2008	December 31, 2007
Assets:		
Real estate assets:		
Land	$ 222,669	$ 214,743
Buildings and improvements	2,113,992	2,044,380
Furniture, fixtures and equipment	60,694	55,602
Capital improvements in progress	32,938	12,886
	2,430,293	2,327,611
Less accumulated depreciation	(660,053)	(616,364)
	1,770,240	1,711,247
Land held for future development	2,300	2,360
Commercial properties, net	7,910	6,778
Investments in and advances to real estate joint ventures	6,745	168
Real estate assets, net	1,787,195	1,720,553
Cash and cash equivalents	9,977	17,192
Restricted cash	3,833	3,724
Deferred financing costs, net	15,698	15,219
Other assets	20,554	23,028
Goodwill	4,106	4,106
Total assets	$ 1,841,363	$ 1,783,822
Liabilities and Shareholders' Equity:		
Liabilities:		
Notes payable	$ 1,243,827	$ 1,264,620
Accounts payable	1,552	1,099
Accrued expenses and other liabilities	85,499	77,252
Security deposits	8,851	8,453
Total liabilities	1,339,729	1,351,424
Minority interest	31,481	28,868
Redeemable stock	2,238	2,574
Shareholders' equity:		
Preferred stock, $0.01 par value per share, 20,000,000 shares authorized, $166,863 or $25 per share liquidation preference;		
8.30% Series H Cumulative Redeemable Preferred Stock, 6,200,000 shares authorized, 6,200,000 shares issued and outstanding	62	62
Common stock, $0.01 par value per share, 50,000,000 shares authorized;		

27,482,974 and 25,718,880 shares issued and outstanding at June 30, 2008, and December 31, 2007, respectively (1)		274		257
Additional paid-in capital		920,762		832,511
Accumulated distributions in excess of net income		(438,251)		(414,966)
Accumulated other comprehensive income		(14,932)		(16,908)
Total shareholders' equity		467,915		400,956
Total liabilities and shareholders' equity	$	1,841,363	$	1,783,822

(1) Number of shares issued and outstanding represent total shares of common stock regardless of classification on the consolidated balance sheet. The number of shares classified as redeemable stock on the consolidated balance sheet for June 30, 2008 and December 31, 2007, are 43,847 and 60,212, respectively.

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartment Communities, Inc.
Condensed Consolidated Statements of Operations
Three and six months ended June 30, 2008, and 2007
(Dollars in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Operating revenues:				
Rental revenues	$ 88,608	$ 82,875	$ 176,537	$ 164,087
Other property revenues	4,165	3,904	8,352	7,649
Total property revenues	92,773	86,779	184,889	171,736
Management fee income	61	-	89	34
Total operating revenues	92,834	86,779	184,978	171,770
Property operating expenses:				
Personnel	11,578	10,472	22,826	20,486
Building repairs and maintenance	3,548	3,188	6,661	6,244
Real estate taxes and insurance	11,726	11,624	23,167	22,722
Utilities	5,050	4,761	10,214	9,548
Landscaping	2,420	2,296	4,863	4,568
Other operating	4,358	4,128	8,565	7,847
Depreciation	22,420	21,108	44,688	42,396
Total property operating expenses	61,100	57,577	120,984	113,811
Property management expenses	4,387	4,380	8,645	8,793
General and administrative expenses	2,831	2,556	5,751	5,228
Income from continuing operations before non-operating items	24,516	22,266	49,598	43,938
Interest and other non-property income	116	51	224	145
Interest expense	(15,145)	(16,034)	(31,479)	(32,048)
Loss on debt extinguishment	-	(52)	-	(52)
Amortization of deferred financing costs	(486)	(574)	(1,114)	(1,135)
Incentive fees from real estate joint ventures	-	-	-	1,019
Net gains on insurance and other settlement proceeds	416	332	544	842
Gain (loss) on sale of non-depreciable assets	-	226	(3)	226
Income from continuing operations before minority interest and investments in real estate joint ventures	9,417	6,215	17,770	12,935
Minority interest in operating partnership income	(513)	(763)	(1,045)	(1,801)
(Loss) gains from real estate joint ventures	(199)	(51)	(282)	5,329
Income from continuing operations	8,705	5,401	16,443	16,463
Discontinued operations:				
Income from discontinued operations before gain on sale	-	274	-	536
	(61)	3,443	(120)	3,443

(Loss) gains on sale of discontinued operations				
Net income	8,644	9,118	16,323	20,442
Preferred dividend distributions	3,217	3,490	6,433	6,981
Net income available for common shareholders	$ 5,427	$ 5,628	$ 9,890	$ 13,461
Weighted average shares outstanding (in thousands):				
Basic	26,599	25,288	26,113	25,188
Effect of dilutive stock options	128	176	129	189
Diluted	26,727	25,464	26,242	25,377
Net income available for common shareholders	$ 5,427	$ 5,628	$ 9,890	$ 13,461
Discontinued property operations	61	(3,717)	120	(3,979)
Income from continuing operations available for common shareholders	$ 5,488	$ 1,911	$ 10,010	$ 9,482
Earnings per share - basic:				
Income from continuing operations available for common shareholders	$ 0.20	$ 0.07	$ 0.38	$ 0.37
Discontinued property operations	-	0.15	-	0.16
Net income available for common shareholders	$ 0.20	$ 0.22	$ 0.38	$ 0.53
Earnings per share - diluted:				
Income from continuing operations available for common shareholders	$ 0.20	$ 0.07	$ 0.38	$ 0.37
Discontinued property operations	-	0.15	-	0.16
Net income available for common shareholders	$ 0.20	$ 0.22	$ 0.38	$ 0.53
Dividends declared per common share	$ 0.615	$ 0.605	$ 1.230	$ 1.210

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartment Communities, Inc.
Consolidated Statements of Cash Flows
Six Months Ended June 30, 2008 and 2007
(Dollars in thousands)

	2008	2007
Cash flows from operating activities:		
Net income	$ 16,323	$ 20,442
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations before asset impairment, settlement proceeds and gain on sale	-	(536)
Depreciation and amortization of deferred financing costs	45,802	43,531
Stock compensation expense	380	490
Stock issued to employee stock ownership plan	495	440
Redeemable stock issued	221	184
Amortization of debt premium	(887)	(1,018)
Loss from investments in real estate joint ventures	320	58
Minority interest in operating partnership income	1,045	1,801
Loss on debt extinguishment	-	52
Derivative interest expense	167	98
Loss (gain) on sale of non-depreciable assets	3	(226)
Loss (gain) on sale of discontinued operations	120	(3,443)
Gains on disposition within real estate joint ventures	(38)	(5,387)
Incentive fees from real estate joint ventures	-	(1,019)
Net gains on insurance and other settlement proceeds	(544)	(842)
Changes in assets and liabilities:		
Restricted cash	(109)	(4)
Other assets	7,143	5,479
Accounts payable	453	(2,124)
Accrued expenses and other	3	226
Security deposits	398	652
Net cash provided by operating activities	71,295	58,854
Cash flows from investing activities:		
Purchases of real estate and other assets	(58,293)	(35,225)
Improvements to existing real estate assets	(18,182)	(13,923)
Renovations to existing real estate assets	(8,873)	(4,709)
Development	(13,492)	(9,950)
Distributions from real estate joint ventures	1	9,855
Contributions to real estate joint ventures	(6,913)	(98)
Proceeds from disposition of real estate assets	857	13,778
Net cash used in investing activities	(104,895)	(40,272)
Cash flows from financing activities:		
Net change in credit lines	3,887	11,572
Principal payments on notes payable	(23,793)	(11,333)
Payment of deferred financing costs	(1,593)	(1,298)
Repurchase of common stock	(474)	(123)
	89,715	21,906

Proceeds from issuances of common shares and units				
Distributions to unitholders		(3,166)		(3,012)
Dividends paid on common shares		(31,758)		(30,566)
Dividends paid on preferred shares		(6,433)		(6,981)
Net cash provided by (used in) financing activities		26,385		(19,835)
Net decrease in cash and cash equivalents		(7,215)		(1,253)
Cash and cash equivalents, beginning of period		17,192		5,545
Cash and cash equivalents, end of period	$	9,977	$	4,292
Supplemental disclosure of cash flow information:				
Interest paid	$	31,334	$	33,809
Supplemental disclosure of noncash investing and financing activities:				
Interest capitalized	$	328	$	520
Marked-to-market adjustment on derivative instruments	$	1,976	$	6,945
Reclass of preferred stock from equity to liabilities	$	-	$	442
Reclass of redeemable stock from equity to liabilities	$	475	$	-

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartment Communities, Inc.
Notes to Condensed Consolidated Financial Statements
June 30, 2008, and 2007 (Unaudited)

1. Consolidation and Basis of Presentation

Mid-America Apartment Communities, Inc. is a self-administered real estate investment trust, or REIT, that owns, acquires, renovates, develops and manages apartment communities in the Sunbelt region of the United States. As of June 30, 2008, we owned or owned interests in 142 multifamily apartment communities comprising 41,633 apartments located in 13 states, including 2 communities comprising 626 apartments owned through our joint venture, Mid-America Multifamily Fund I, LLC, and 2 development communities in varying stages of lease-up. None of these communities were classified as held for sale as of June 30, 2008. In addition, we had 124 apartments under development and not yet in lease-up adjacent to one of our existing communities.

The accompanying unaudited condensed consolidated financial statements have been prepared by the management of Mid-America Apartment Communities, Inc. in accordance with U.S. generally accepted accounting principles for interim financial information and applicable rules and regulations of the Securities and Exchange Commission and our accounting policies in effect as of December 31, 2007 as set forth in our annual consolidated financial statements, as of such date. The accompanying unaudited condensed consolidated financial statements include the accounts of Mid-America Apartment Communities, Inc. and its subsidiaries, including Mid-America Apartments, L.P. (the "Operating Partnership") (collectively, "Mid-America"). In the opinion of management, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included and all such adjustments were of a normal recurring nature. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the three and six month periods ended June 30, 2008 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with our audited financial statements and notes thereto included in Mid-America's Annual Report on Form 10-K for the year ended December 31, 2007.

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the dates of the financial statements and the amounts of revenues and expenses during the reporting periods. Actual amounts realized or paid could differ from those estimates.

2. Segment Information

As of June 30, 2008, Mid-America owned or had an ownership interest in 142 multifamily apartment communities in 13 different states from which it derives all significant sources of earnings and operating cash flows. Our operational structure is organized on a decentralized basis, with individual property managers having overall responsibility and authority regarding the operations of their respective properties. Each property manager individually monitors local, market and submarket trends in rental rates, occupancy percentages, and operating costs. Property managers are given the on-site responsibility and discretion to react to such trends in the best interest of Mid-America. Our chief operating decision maker evaluates the performance of each individual property based on its contribution to net operating income in order to ensure that the individual property continues to meet our return criteria and long-term investment goals. We define each of our multifamily communities as an individual operating segment. We have also determined that all of our communities have similar economic characteristics and also meet the other criteria which permit the communities to be aggregated into one reportable segment, which is the acquisition and operation of the multifamily communities owned.

3. Comprehensive Income

Total comprehensive income and its components for the three and six month periods ended June 30, 2008, and 2007 were as follows (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Net income	$ 8,644	$ 9,118	$ 16,323	$ 20,442
Marked-to-market adjustment on derivative instruments	27,556	9,871	1,976	6,945
Total comprehensive income	$ 36,200	$ 18,989	$ 18,299	$ 27,387

The marked-to-market adjustment on derivative instruments is based upon the change of interest rates available for derivative instruments with similar terms and remaining maturities existing at each balance sheet date.

4. Real Estate Acquisitions

On September 14, 2007, Mid-America entered into an option contract to purchase the Cascade at Fall Creek apartments, a 246-unit community being built next to our Chalet at Fall Creek apartments in Humble, Texas, a suburb of Houston. Among other provisions, the contract required certain construction completion levels for purchase. On January 10, 2008, the provisions of the contract were met and Mid-America acquired the Cascade at Fall Creek apartment community.

On January 17, 2008, Mid-America Multifamily Fund I, LLC, or Fund I, our joint venture with institutional capital, acquired the Milstead Village apartments, a 310-unit community located in Kennesaw, Georgia, a suburb of Atlanta. This was the first acquisition made by Fund I.

On March 27, 2008, Fund I acquired a second property, the Greenwood Forest apartments, a 316-unit community located in Greenwood Forest, Texas, a suburb of Houston.

On May 21, 2008, Mid-America purchased the Providence at Brier Creek apartments, a 313-unit community located in Raleigh, NC.

5. Discontinued Operations

As part of Mid-America's disposition strategy to selectively dispose of mature assets that no longer meet our investment criteria and long-term strategic objectives, in April 2006, we entered into an agreement to list the 184-unit Gleneagles apartments and the 200-unit Hickory Farm apartments both located in Memphis, Tennessee, for sale. Both of these communities were subsequently sold on May 3, 2007. Also in line with this strategy, in March 2007, we entered into an agreement to list the 144-unit Somerset apartments and the 192-unit Woodridge apartments both located in Jackson, Mississippi, for sale. Both of these communities were subsequently sold on July 16, 2007. In accordance with Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, or Statement No. 144, these communities are considered discontinued operations in the accompanying condensed consolidated financial statements.

The following is a summary of discontinued operations for the three and six month periods ended June 30, 2008, and 2007, (dollars in thousands):

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Revenues				
Rental revenues	$ -	$ 786	$ -	$ 1,962
Other revenues	-	46	-	113
Total revenues	-	832	-	2,075
Expenses				
Property operating expenses	-	436	-	1,103
Depreciation	-	(1)	-	132
Interest expense	-	123	-	304
Total expense	-	558	-	1,539
Income from discontinued operations before gain on sale and settlement proceeds	-	274	-	536
(Loss) gain on sale of discontinued operations	(61) (1)	3,443	(120) (1)	3,443
Income from discontinued operations	$ (61)	$ 3,717	$ (120)	$ 3,979

(1) Amount represents adjustment related to final expenses from a disposition of real estate assets in a prior period.

Subsequent to June 30, 2008, Mid-America entered into contracts to market the following communities for sale: River Trace in Memphis, TN, Riverhills in Grenada, MS, Woodstream in Greensboro, NC and Westbury Springs in Lilburn, GA. As a result, these communities will be classified as held for sale beginning in July 2008, in accordance with Statement No. 144.

6. Share and Unit Information

On June 30, 2008, 27,482,974 common shares and 2,406,411 operating partnership units were outstanding, representing a total of 29,889,385 shares and units. Additionally, Mid-America had outstanding options for the purchase of 94,688 shares of common stock at June 30, 2008, of which 42,957 were anti-dilutive. At June 30, 2007, 25,511,314 common shares and 2,482,593 operating partnership units were outstanding, representing a total of 27,993,907 shares and units. Additionally, Mid-America had outstanding options for the purchase of 144,620 shares of common stock at June 30, 2007, of which 64,477 were anti-dilutive.

During the three-month period ended June 30, 2008, we issued 1,182,300 shares of common stock through at-the-market offerings or negotiated transactions and received net proceeds of $64.0 million under an existing controlled equity offering program. For the first six months of 2008, we issued a total of 1,482,300 shares of common stock for net proceeds of $79.5 million through this program, which exhausted the authorized shares in the sales agreement.

Subsequent to June 30, 2008, Mid-America entered into a second controlled equity offering sales agreement with similar terms authorizing the sale of up to 1,350,000 shares of common stock. As of the filing of this Form 10-Q, no shares have been sold under the new agreement.

7. Derivative Financial Instruments

In the normal course of business, Mid-America uses certain derivative financial instruments to manage, or hedge, the interest rate risk associated with our variable rate debt or to hedge anticipated future debt transactions to manage well-defined interest rate risk associated with the transaction.

We do not use derivative financial instruments for speculative or trading purposes. Further, Mid-America has a policy of entering into contracts with major financial institutions based upon their credit rating and other factors. When viewed in conjunction with the underlying and offsetting exposure that the derivatives are designated to hedge, Mid-America has not sustained any material loss from those instruments nor do we anticipate any material adverse effect on our net income or financial position in the future from the use of derivatives.

Mid-America requires that derivative financial instruments designated as cash flow hedges be effective in reducing the interest rate risk exposure that they are designated to hedge. This effectiveness is essential for qualifying for hedge accounting. Instruments that meet the hedging criteria are formally designated as hedging instruments at the inception of the derivative contract. We formally document all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking the hedge transaction. This process includes linking all derivatives that are designated as fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. We also formally assess, both at the inception of the hedging relationship and on an ongoing basis, whether the derivatives used are highly effective in offsetting changes in cash flows of hedged items. When it is determined that a derivative has ceased to be a highly effective hedge, Mid-America discontinues hedge accounting prospectively.

All of our derivative financial instruments are reported at fair value, are represented on the balance sheet, and are characterized as cash flow hedges. These transactions hedge the future cash flows of debt transactions through interest rate swaps that convert variable payments to fixed payments and interest rate caps that limit the exposure to rising interest rates. The unrealized gains/losses in the fair value of these hedging instruments are reported on the balance sheet with a corresponding adjustment to accumulated other comprehensive income, with any ineffective portion of the hedging transactions reclassified to earnings. As of June 30, 2008, and 2007, the ineffective portion of the hedging transactions reclassified to earnings was a $114,000 increase, and a $69,000 increase, respectively, to interest expense.

On January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements (“Statement 157”). Statement 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Statement 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

Statement 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, Statement 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity’s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Currently, Mid-America uses certain derivative financial instruments to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

The fair values of interest rate options are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the caps. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. To comply with the provisions of Statement 157, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by itself and its counterparties. As of June 30, 2008, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 3 of the fair value hierarchy.

The table below presents the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2008, aggregated by the level in the fair value hierarchy within which those measurements fall.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2008
(dollars in thousands)

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2008
Assets				
Derivative financial instruments	$ -	$ -	$ 2,192	$ 2,192
Liabilities				
Derivative financial instruments	$ -	$ -	$ 16,559	$ 16,559

The table below presents a reconciliation of the beginning and ending balances of assets and liabilities having fair value measurements based on significant unobservable inputs (Level 3).

Changes in Level 3 Assets/(Liabilities) Measured at Fair Value on a Recurring Basis
for the Six Months Ended June 30, 2008
(dollars in thousands)

	Balance at 12/31/2007	Total Gains Included in Income	Total Realized and Unrealized Gains Included in Other Comprehensive Income	Purchases, Issuances and Settlements	Net Transfers In and/or Out of Level 3	Balance at 6/30/2008
Derivative financial instruments	$ (15,976)	$ 134	$ (537)	$ 2,012	$ -	$ (14,367)

Changes in Level 3 Assets/(Liabilities) Measured at Fair Value on a Recurring Basis
for the period April 1, 2008 to June 30, 2008
(dollars in thousands)

	Balance at 3/31/2008	Total Gains Included in Income	Total Realized and Unrealized Gains Included in Other Comprehensive Income	Purchases, Issuances and Settlements	Net Transfers In and/or Out of Level 3	Balance at 6/30/2008
Derivative financial instruments	$ (41,744)	$ (54)	$ 26,238	$ 1,193	$ -	$ (14,367)

Of the instruments for which the Company utilized significant Level 3 inputs to determine fair value and that were still held by the Company at June 30, 2008, the unrealized loss for the six months ended June 30, 2008 was $537,000. The fair value of these instruments are reported on the balance sheet in Other Assets and Accrued Expenses and Other Liabilities with a corresponding adjustment for the unrealized gains/losses to accumulated other comprehensive income, with any ineffective portion of the hedging transactions reclassified to interest expense.

Both observable and unobservable inputs may be used to determine the fair value of positions that the Company has classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

8. Recent Accounting Pronouncements

In September 2006, the FASB issued Statement No. 157. Statement 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Statement 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. FASB Staff Position No. FAS 157-2 Effective Date of FASB Statement 157, or FSP 157-2, delays the effective date of Statement 157 for nonfinancial assets and nonfinancial liabilities except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. For these items, the effective date will be for fiscal years beginning after November 15, 2008. Mid-America adopted Statement 157 effective January 1, 2008. Management does not believe the adoption has had or will have a material impact on our consolidated financial condition or results of operations taken as a whole.

On December 4, 2007, the FASB issued Statement No. 141 (Revised 2007), Business Combinations, or Statement 141R. Statement 141R will significantly change the accounting for business combinations. Under Statement 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. Statement 141R will change the accounting treatment for certain specific items, including acquisition costs which will generally be expensed as incurred. This will have a material impact on the way Mid-America accounts for property acquisitions and therefore will have a material impact on Mid-America’s financial statements. Statement 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

On December 4, 2007, the FASB issued Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51, or Statement 160. Statement 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. Statement 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. This will impact the financial statement presentation of Mid-America by requiring the minority interests in the operating partnership to be presented as a non-controlling interest as a component of equity. Statement 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008.

On March 19, 2008, the FASB issued FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities - an Amendment of FASB Statement 133, or Statement 161. Statement 161 enhances required disclosures regarding derivatives and hedging activities, including enhanced disclosures regarding how an entity uses derivative instruments and how derivative instruments and related hedged items are accounted for under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Statement 161 is effective for fiscal years and interim periods beginning after November 15, 2008.

9. Subsequent Events

Held for Sale
In July 2008, Mid-America entered into marketing contracts to list four communities for sale: River Trace in Memphis, TN, Riverhills in Grenada, MS, Woodstream in Greensboro, NC and Westbury Springs in Lilburn, GA. As a result, these communities will be classified as held for sale beginning in July 2008.

Share and Unit Information
On July 3, 2008, Mid-America entered into a controlled equity offering sales agreement with Cantor Fitzgerald & Co. to sell up to 1,350,000 shares of Mid-America’s common stock, from time-to-time in at-the-market offerings or negotiated transactions. At the time of the filing of this Form 10-Q, no shares had been sold through this agreement.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

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

Forward Looking Statements

We consider portions of this Report to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, with respect to our expectations for future periods. Forward looking statements do not discuss historical fact, but instead include statements related to expectations, projections, intentions or other items related to the future. Such forward-looking statements include, without limitation, statements concerning property acquisitions and dispositions, development activity and capital expenditures, capital raising activities, rent growth, occupancy, and rental expense growth. Words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” and variations of such words and similar expression intended to identify such forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from the results of operations or plans expressed or implied by such forward-looking statements. Such factors include, among other things, unanticipated adverse business developments affecting us, or our properties, adverse changes in the real estate markets and general and local economies and business conditions. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore such forward-looking statements included in this report may not prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved.

The following factors, among others, could cause our future results to differ materially from those expressed in the forward-looking statements:

- inability to generate sufficient cash flows due to market conditions, changes in supply and/or demand, competition, uninsured losses, changes in tax and housing laws, or other factors,
- inability to acquire funding through the capital markets,
- inability to pay required distributions to maintain REIT status due to required debt payments,
- changes in variable interest rates,
- loss of hedge accounting treatment for interest rate swaps due to volatility in the financial markets,
- unexpected capital needs,
- significant disruption in the credit markets, including the inability of Fannie Mae and Freddie Mac to continue as major suppliers of debt financing for multi-family housing and for Mid-America,
- increasing real estate taxes and insurance costs,
- losses from catastrophes in excess of our insurance coverage
- inability to meet loan covenants,
- inability to attract and retain qualified personnel,
- failure of new acquisitions to achieve anticipated results or be efficiently integrated into Mid-America,
- inability to timely dispose of assets,
- potential liability for environmental contamination,
- litigation and compliance costs associated with laws requiring access for disabled persons,
- inability of a joint venture to perform as expected,
- the imposition of federal taxes if we fail to qualify as a REIT under the Internal Revenue Code in any taxable year or foregone opportunities to ensure REIT status,

These factors, among others, are set forth below in Part II, Item 1A. Risk Factors. We encourage investors to review these risks factors.

Critical Accounting Policies and Estimates

The following discussion and analysis of financial condition and results of operations are based upon Mid-America’s condensed consolidated financial statements, and the notes thereto, which have been prepared in accordance with U.S.

generally accepted accounting principles, or GAAP. The preparation of these condensed consolidated financial statements requires us to make a number of estimates and assumptions that affect the reported amounts and disclosures in the condensed consolidated financial statements. On an ongoing basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. We believe that our estimates and assumptions are reasonable under the circumstances; however, actual results may differ from these estimates and assumptions.

We believe that the estimates and assumptions listed below are most important to the portrayal of our financial condition and results of operations because they require the greatest subjective determinations and form the basis of accounting policies deemed to be most critical. These critical accounting policies include revenue recognition, capitalization of expenditures and depreciation of assets, impairment of long-lived assets, including goodwill, and fair value of derivative financial instruments.

Revenue Recognition

Mid-America leases multifamily residential apartments under operating leases primarily with terms of one year or less. Rental revenues are recognized using a method that represents a straight-line basis over the term of the lease and other revenues are recorded when earned.

We record all gains and losses on sales of real estate in accordance with Statement No. 66, Accounting for Sales of Real Estate.

Capitalization of expenditures and depreciation of assets

Mid-America carries real estate assets at depreciated cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets, which range from 8 to 40 years for land improvements and buildings, 5 years for furniture, fixtures, and equipment, 3 to 5 years for computers and software, and 1 year for acquired leases, all of which are subjective determinations. Repairs and maintenance costs are expensed as incurred while significant improvements, renovations, and replacements are capitalized. The cost to complete any deferred repairs and maintenance at properties acquired by Mid-America in order to elevate the condition of the property to Mid-America's standards are capitalized as incurred.

Development costs, which are limited to adding new units to three existing properties, are capitalized in accordance with Statement No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects and Statement No. 34, Capitalization of Interest Cost.

Impairment of long-lived assets, including goodwill

Mid-America accounts for long-lived assets in accordance with the provisions of Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, or Statement 144, and evaluates its goodwill for impairment under Statement No. 142, Goodwill and Other Intangible Assets, or Statement 142. Mid-America evaluates goodwill for impairment on an annual basis in Mid-America's fiscal fourth quarter, or sooner if a goodwill impairment indicator is identified. Mid-America periodically evaluates long-lived assets, including investments in real estate and goodwill, for indicators that would suggest that the carrying amount of the assets may not be recoverable. The judgments regarding the existence of such indicators are based on factors such as operating performance, market conditions, and legal factors.

In accordance with Statement 144, long-lived assets, such as real estate assets, equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

In accordance with Statement 142, goodwill is tested annually for impairment, and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. This determination is made at the reporting unit level and consists of two steps. First, Mid-America determines the fair value of a reporting unit and compares it to its carrying amount. In the apartment industry, the primary method used for determining fair value is to divide annual operating cash flows by an appropriate capitalization rate. Mid-America determines the appropriate capitalization rate by reviewing the prevailing rates in a property's market or submarket. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with Statement No. 141, Business Combinations. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

Fair value of derivative financial instruments

Mid-America utilizes certain derivative financial instruments, primarily interest rate swaps and caps, during the normal course of business to manage, or hedge, the interest rate risk associated with Mid-America's variable rate debt or as hedges in anticipation of future debt transactions to manage well-defined interest rate risk associated with the transaction.

In order for a derivative contract to be designated as a hedging instrument, the relationship between the hedging instrument and the hedged item must be highly effective. While Mid-America's calculation of hedge effectiveness contains some subjective determinations, the historical correlation of the hedging instruments and the underlying hedged item are measured by Mid-America before entering into the hedging relationship and have been found to be highly correlated.

Mid-America measures ineffectiveness using the change in the variable cash flows method for each reporting period through the term of the hedging instruments. Any amounts determined to be ineffective are recorded in earnings. The change in fair value of the interest rate swaps and caps designated as cash flow hedges are recorded to accumulated other comprehensive income in the statement of shareholders' equity.

On January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("Statement 157"). Statement 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Statement 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

Statement 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, Statement 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The valuation of our derivative financial instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The fair values of interest rate caps are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the caps. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. To comply with the provisions of Statement 157, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. As of June 30, 2008, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 3 of the fair value hierarchy. As of June 30, 2008, the Company had a total notional amount of $925.4 million in derivative instruments, all of which had fair values measured using Level 3 inputs. Realized and unrealized losses did not materially affect our results of operations, liquidity or capital resources during the second quarter. The Company experienced an overall increase in fair value of our derivatives due to the fluctuations in the interest rate market throughout the second quarter. The Company does not anticipate realizing a significant portion of the current unrealized loss.

Overview of the Three Months Ended June 30, 2008

Mid-America's operating results for the three months ended June 30, 2008 benefited from continued improvement in rental revenues at our existing communities and the addition of six communities purchased during 2007 and 2008.

Mid-America also benefited from reduced interest expense as the reduction in our average cost of debt more than offset the increase in our debt outstanding.

The following is a discussion of the consolidated financial condition and results of operations of Mid-America for the three and six month periods ended June 30, 2008. This discussion should be read in conjunction with the condensed consolidated financial statements appearing elsewhere in this Report. These financial statements include all adjustments, which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim period presented, and all such adjustments are of a normal recurring nature.

Results of Operations

Comparison of the Three Months Ended June 30, 2008 to the Three Months Ended June 30, 2007

Property revenues for the three months ended June 30, 2008 were approximately $92.8 million, an increase of approximately $6.0 million from the three months ended June 30, 2007 due to (i) a $3.9 million increase in property revenues from the six properties acquired during 2007 and 2008, or the Acquisitions, (ii) a $0.4 million increase in property revenues from our development communities, and (iii) a $1.7 million increase in property revenues from all other communities. The increase in property revenues from all other communities was generated primarily by our same store portfolio and was driven by a 1.8% increase in average effective rent per unit in the second quarter of 2008 from the second quarter of 2007. Communities are moved into our same store portfolio the quarter after they have been held and were stabilized for at least 12 months. Communities excluded from the same store portfolio would include recent acquisitions, communities being developed or in lease-up, communities undergoing extensive renovations, and communities that have been approved by the Board of Directors to be sold. The four communities approved for sale as of June 30, 2008, are being excluded from the same store portfolio before they meet the technical requirements to be classified as discontinued operations under Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, because during the three months ended June 30, 2008, management initiated various programs in preparation for disposing of the communities and therefore felt it was inappropriate to include the communities in the same store group.

Property operating expenses include costs for property personnel, property bonuses, building repairs and maintenance, real estate taxes and insurance, utilities, landscaping and other property related costs. Property operating expenses for the three months ended June 30, 2008 were approximately $38.7 million, an increase of approximately $2.2 million from the three months ended June 30, 2007 due primarily to increases in property operating expenses of (i) $1.6 million from the Acquisitions, (ii) $0.1 million from our development communities, and (iii) $0.5 million from all other communities.

Depreciation expense for the three months ended June 30, 2008 was approximately $22.4 million, an increase of approximately $1.3 million from the three months ended June 30, 2007 primarily due to the increases in depreciation expense of (i) $1.2 million from the Acquisitions, (ii) $0.1 million from our development communities, and (iii) $0.4 million from all other communities. Increases of depreciation expense from all other communities resulted from asset additions made during the normal course of business. These increases were partially offset by a decrease in depreciation expense of $0.4 million from the expiration of the amortization of fair market value of leases of communities previously acquired by Mid-America.

Property management expenses for the three months ended June 30, 2008 remained relatively flat at approximately $4.4 million from the same level for the second quarter of 2007. General and administrative expenses increased by approximately $0.3 million over this same period mainly as a result of increased headcount.

Interest expense for the three months ended June 30, 2008 was approximately $15.1 million, a decrease of $0.9 million, from the three months ended June 30, 2007 primarily due to a decrease in our average borrowing cost from 5.51% for the second quarter of 2007 to 4.81% for the second quarter of 2008.

In the three months ended June 30, 2007, Mid-America benefited from gains totaling approximately $3.7 million due to the sale of two properties and some land. No properties were sold during the second quarter of 2008.

Primarily as a result of the foregoing, net income decreased by approximately $0.5 million in the second quarter of 2008 from the second quarter of 2007.

Comparison of the Six Months Ended June 30, 2008 to the Six Months Ended June 30, 2007

Property revenues for the six months ended June 30, 2008 were approximately $184.9 million, an increase of approximately $13.2 million from the six months ended June 30, 2007 due to (i) a $7.7 million increase in property revenues from the Acquisitions, (ii) an $0.8 million increase in property revenues from our development communities, and (iii) a $4.7 million increase in property revenues from all other communities. The increase in property revenues from all other communities was generated primarily by our same store portfolio and was driven by increases in average effective rent per unit and a reduction in the rate of concessions of net potential rent from the first six months of 2007 to the first six months of 2008.

Property operating expenses include costs for property personnel, property bonuses, building repairs and maintenance, real estate taxes and insurance, utilities, landscaping and other property related costs. Property operating expenses for the six months ended June 30, 2008 were approximately $76.3 million, an increase of approximately $4.9 million from the six months ended June 30, 2007 due primarily to increases in property operating expenses of (i) $3.5 million from the Acquisitions, (ii) $0.3 million from our development communities, and (iii) $1.1 million from all other communities.

Depreciation expense for the six months ended June 30, 2008 was approximately $44.7 million, an increase of approximately $2.3 million from the six months ended June 30, 2007 primarily due to the increases in depreciation expense of (i) $2.4 million from the Acquisitions, (ii) $0.3 million from our development communities, and (iii) $0.7 million from all other communities. Increases of depreciation expense from all other communities resulted from asset additions made during the normal course of business. These increases were partially offset by a decrease in depreciation expense of $1.1 million from the expiration of the amortization of fair market value of leases of communities previously acquired by Mid-America.

Property management expenses for the six months ended June 30, 2008 were approximately $8.6 million, a slight decrease of $0.1 million from the six months ended June 30, 2007. General and administrative expenses increased by approximately $0.5 million over this same period mainly as a result of increased headcount.

Interest expense for the six months ended June 30, 2008 was approximately $31.5 million, a decrease of $0.6 million from the six months ended June 30, 2007 primarily due to a decrease in our average borrowing cost from 5.52% for the first six months of 2007 to 4.97% for the first six months of 2008.

In the six months ended June 30, 2007, Mid-America benefited from gains totaling approximately $10.0 million due to the sale of two properties, the sale of some land, and the sale of joint venture assets and a resultant incentive fee. No properties were sold during the first six months of 2008.

Primarily as a result of the foregoing, net income decreased by approximately $4.1 million in the first six months of 2008 from the first six months of 2007.

Funds From Operations and Net Income

Funds from operations, or FFO, represents net income (computed in accordance with GAAP), excluding extraordinary items, minority interest in Operating Partnership income, gains or losses on disposition of real estate assets, plus depreciation of real estate, and adjustments for joint ventures to reflect FFO on the same basis. This definition of FFO is in accordance with the National Association of Real Estate Investment Trust's, or NAREIT, definition. Disposition of real estate assets includes sales of discontinued operations as well as proceeds received from insurance and other settlements from property damage.

In response to the Securities and Exchange Commission's Staff Policy Statement relating to Emerging Issues Task Force Topic D-42 concerning the calculation of earnings per share for the redemption of preferred stock, we include the amount charged to retire preferred stock in excess of carrying values in our FFO calculation.

Mid-America's policy is to expense the cost of interior painting, vinyl flooring, and blinds as incurred for stabilized properties. During the stabilization period, typically the first 12 months, for acquisition properties, these items are capitalized as part of the total repositioning program of newly acquired properties, and thus are not deducted in calculating FFO.

FFO should not be considered as an alternative to net income or any other GAAP measurement of performance, as an indicator of operating performance, or as an alternative to cash flow from operating, investing, and financing activities as a measure of liquidity. We believe that FFO is helpful to investors in understanding our operating performance in that such calculation excludes depreciation expense on real estate assets. We believe that GAAP historical cost depreciation of real estate assets is generally not correlated with changes in the value of those assets, whose value does not diminish predictably over time, as historical cost depreciation implies. Our calculation of FFO may differ from the methodology for calculating FFO utilized by other REITs and, accordingly, may not be comparable to such other REITs.

The following table is a reconciliation of FFO to net income for the three and six month periods ended June 30, 2008, and 2007 (dollars and shares in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Net income	$ 8,644	$ 9,118	$ 16,323	$ 20,442
Depreciation of real estate assets	22,006	20,781	43,967	41,752
Net gains on insurance and other settlement proceeds	(416)	(332)	(544)	(842)
Gain on dispositions within real estate joint ventures	(38)	-	(38)	(5,387)
Depreciation of real estate assets of discontinued operations	-	(1)	-	132
Loss (gains) on sale of discontinued operations	61	(3,443)	120	(3,443)
Depreciation of real estate assets of real estate joint ventures	275	-	370	14
Preferred dividend distribution	(3,217)	(3,490)	(6,433)	(6,981)
Minority interest in operating partnership income	513	763	1,045	1,801
Funds from operations	$ 27,828	$ 23,396	$ 54,810	$ 47,488
Weighted average shares and units:				
Basic	29,017	27,775	28,535	27,676
Diluted	29,146	27,951	28,663	27,865

FFO for the three and six month periods ended June 30, 2008 increased primarily as the result of recently acquired properties, improved performance from existing properties and a decrease in interest expense from the reduction in our cost of borrowing.

Trends

During the first half of 2008, rental demand for apartments continued at robust levels in most of Mid-America’s markets with the notable exception of Florida, where after several years of good growth, markets were a little weak. Towards the end of the second quarter, we experienced a modest slow-down in traffic and a reduction in our rate of revenue growth, which we think is likely to be due to the slow down in general economic conditions. Our same store portfolio reported an average effective rent growth of 2.2% over the first half of 2007. Same store effective rent growth for the second quarter of 2008 was also up an average of 0.2% over the first quarter of 2008. Exceptional performers were markets in Texas, the Carolinas, and Tennessee.

Job formation, which is the primary driver of demand by apartment residents, continued in most of our markets, but showed signs of slowing towards the end of the second quarter. On the supply side, new apartment construction continued to be limited, as in most markets, rents have yet to rise sufficiently to offset the rapid run-up of costs of new construction over the last five years. Competition from condominiums reverting back to being rental units, or new condominiums being converted to rental, was not a major factor in most of our markets because most of our markets and submarkets have not been primary areas for condominium development. We have found the same to be true for rental competition from single family homes. We have avoided committing a significant amount of capital to markets where most of the excessive inflation in house prices has occurred. We are seeing significant rental competition from condominiums and single family houses in only a few submarkets.

The primary reason that our residents leave us is to buy a house, but we have seen that reason as a percent of total move-outs drop over the past twelve months. Analysts point out that homeownership increased from 65% to over 69% of households over ten years ending 2005, representing approximately 5 million households, driven primarily by the availability of new mortgage products, many requiring no down-payment and minimal credit reporting. With a reversion of mortgage underwriting back to more traditional standards, it is possible that a long-term correction will occur, and that home ownership may return to more sustainable levels. This could be quite significant for the apartment business, and we believe, if this occurs, it could benefit us for several years.

We believe that the signs of slower revenue growth and reduced traffic will be temporary, and that revenue growth should accelerate later in 2009 and 2010. We believe reduced availability of financing for new apartment construction will likely limit new apartment supply, and more sustainable credit terms for residential mortgages should work to favor rental demand at existing multi-family properties. At the same time, we expect long term demographic trends, including the growth of prime age groups for rentals, immigration, and population movement to the southeast and southwest will continue to build apartment rental demand for Mid-America’s markets.

While it seems possible that we will face slower economic growth as a result of reduced liquidity in the economy, we think that the supply of new apartments is not excessive, and that positive absorption of apartments will occur for most of our markets for the next two or three years. Should the economy fall into recession, the limited new supply of apartments and the more controlled competition from single family housing should lessen the impact.

Liquidity and Capital Resources

Net cash flow provided by operating activities increased by approximately $12.4 million from $58.9 million in the first six months of 2007 to $71.3 million in the first six months of 2008 mainly as a result of cash from improved existing and new property operations.

Net cash used in investing activities increased by approximately $64.6 million during the first six months of 2008 to $104.9 million from $40.3 million in the first six months of 2007. In the first six months of 2008, Mid-America spent an additional $29.9 million on property acquisitions (including joint venture investments) than in the first six months of 2007. Mid-America also spent an additional $8.4 million over the same time period on improvements and renovations at existing properties. During the first six months of 2007, Mid-America received $23.6 million related to property dispositions (including joint venture dispositions). There were no property sales during the first six months of 2008.

The first six months of 2008 provided $26.4 million from financing activities compared to $19.8 million used by financing activities in the first six months of 2007, an increase of $46.2 million. This change was mainly due to the proceeds from the issuance of common shares through at-the-market offerings or negotiated transactions under a controlled equity offering program, or CEO. During the first six months of 2007, we issued a total of 323,700 shares of common stock and received net proceeds of $18.8 million under the CEO. During the first six months of 2008, we issued a total of 1,482,300 shares of common stock for net proceeds $79.5 million which exhausted the authorized shares in the existing CEO.

Subsequent to June 30, 2008, Mid-America entered into a second controlled equity offering sales agreement with similar terms authorizing the sale of up to 1,350,000 shares of common stock. As of the filing of this Form 10-Q, no shares have been sold under the new agreement.

The weighted average interest rate at June 30, 2008 for the $1.2 billion of debt outstanding was 4.9%, compared to the weighted average interest rate of 5.5% on $1.2 billion of debt outstanding at June 30, 2007. Mid-America utilizes both conventional and tax exempt debt to help finance its activities. Borrowings are made through individual property mortgages as well as company-wide secured credit facilities. We utilize fixed rate borrowings, interest rate swaps and interest rate caps to manage our current and future interest rate risk. More details on our borrowings can be found in the schedule presented later in this section.

At June 30, 2008, Mid-America had secured credit facility relationships with Prudential Mortgage Capital which are credit enhanced by the Federal National Mortgage Association, or FNMA, Federal Home Loan Mortgage Corporation, or Freddie MAC, and a group of banks led by AmSouth Bank. Together, these credit facilities provided a total line capacity of $1.4 billion and collateralized availability to borrow of $1.3 billion at June 30, 2008. Mid-America had total borrowings outstanding under these credit facilities of $1.1 billion at June 30, 2008.

Approximately 71% of Mid-America's outstanding obligations at June 30, 2008 were borrowed through facilities with/or credit enhanced by FNMA, also referred to as the FNMA Facilities. The FNMA Facilities have a combined line limit of $1.0 billion, practically all of which was collateralized and available to borrow at June 30, 2008. Mid-America had total borrowings outstanding under the FNMA Facilities of approximately $885 million at June 30, 2008. Various traunches of the FNMA Facilities mature from 2011 through 2018. The FNMA Facilities provide for both fixed and variable rate borrowings. The interest rate on the majority of the variable portion renews every 90 days and is based on the FNMA Discount Mortgage Backed Security, or DMBS, rate on the date of renewal, which has typically approximated three-month LIBOR less an average spread of 0.05% - 0.12% over the life of the FNMA Facilities, plus a credit enhancement fee of 0.49% to 0.795%. While the DMBS continued to trade below three-month LIBOR, the spread between them increased during the fourth quarter of 2007 and the first two quarters of 2008 up to a high of 0.73%, with an average for the second quarter of 2008 of 0.53%. While we feel this recent increase is an anomaly and believe that this spread will return to more historic levels, Mid-America cannot forecast when or if the uncertainty and volatility in the market may change.

Each of Mid-America's secured credit facilities is subject to various covenants and conditions on usage, and is subject to periodic re-evaluation of collateral. If we were to fail to satisfy a condition to borrowing, the available credit under one or more of the facilities could not be drawn, which could adversely affect our liquidity. In the event of a reduction in real estate values the amount of available credit could be reduced. Moreover, if we were to fail to make a payment or violate a covenant under a credit facility, after applicable cure periods, one or more of our lenders could declare a default, accelerate the due date for repayment of all amounts outstanding and/or foreclose on properties securing such facilities. Any such event could have a material adverse effect.

As of June 30, 2008, Mid-America had entered into interest rate swaps totaling a notional amount of $778 million. To date, these swaps have proven to be highly effective hedges. We had also entered into an additional $75 million of forward interest rate swaps as of June 30, 2008. As of June 30, 2008, Mid-America had entered interest rate cap agreements totaling a notional amount of approximately $72 million.

Summary details of the debt outstanding at June 30, 2008 follows in the table below (dollars in thousands):

	Line Limit	Collateralized Line Availability	Outstanding Balance/ Notional Amount	Average Interest Rate	Average Rate Maturity	Average Contract Maturity
COMBINED DEBT						
Fixed Rate or Swapped						
Conventional			$ 915,956	5.5%	8/8/2012	8/8/2012
Tax Exempt			48,115	4.5%	8/4/2015	8/4/2015
Subtotal Fixed Rate or Swapped			964,071	5.5%	10/2/2012	10/2/2012
Variable Rate						
Conventional			202,940	2.9%	8/28/2008	4/18/2014
Tax Exempt			4,760	2.6%	6/30/2008	6/1/2028
Conventional - Capped			17,936	3.0%	11/13/2009	11/13/2009
Tax Exempt - Capped			54,120	2.4%	1/20/2012	1/20/2012
Subtotal Variable Rate			279,756	2.8%	8/18/2008	7/2/2014
Total Combined Debt Outstanding			$ 1,243,827	4.9%	10/29/2011	2/22/2013
UNDERLYING DEBT						
Individual Property Mortgages/Bonds						
Conventional Fixed Rate			$ 108,956	5.1%	11/8/2014	11/8/2014
Tax Exempt Fixed Rate			11,720	5.2%	12/1/2028	12/1/2028
Tax Exempt Variable Rate			4,760	2.6%	6/30/2008	6/1/2028
FNMA Credit Facilities						
Tax Free Borrowings	$ 90,515	$ 90,515	90,515	2.4%	7/15/2008	3/1/2014
Conventional Borrowings						
Fixed Rate Borrowings	65,000	65,000	65,000	7.7%	11/30/2009	11/30/2009
Variable Rate Borrowings	888,914	872,234	729,318	2.9%	8/28/2008	1/24/2015
Subtotal FNMA Facilities	1,044,429	1,027,749	884,833	3.2%	9/26/2008	8/5/2014
Freddie Mac Credit Facility I	100,000	96,404	96,404	3.0%	9/7/2008	7/1/2011
Freddie Mac Credit Facility II	200,000	97,725	97,725	2.9%	8/23/2008	6/2/2014
AmSouth Credit Facility	50,000	44,138	290	3.7%	6/30/2008	5/24/2010
Union Planters Bank			39,139	3.6%	8/31/2008	4/1/2009
Total Underlying Debt Outstanding			$ 1,243,827	3.4%	6/12/2009	5/19/2014
HEDGING INSTRUMENTS						
Interest Rate Swaps						
LIBOR indexed			$ 742,000	5.4%	7/4/2012	
SIFMA indexed			36,395	4.3%	4/20/2011	
Forward LIBOR indexed			75,000	4.8%	1/9/2014	

Total Interest Rate Swaps	$	853,395	5.3%	8/2/2012
Interest Rate Caps				
LIBOR indexed	$	17,936	6.2%	11/13/2009
SIFMA indexed		54,120	6.0%	1/20/2012
Total Interest Rate Caps	$	72,056	6.0%	7/5/2011

Mid-America believes that it has adequate resources to fund its current operations, annual refurbishment of its properties, and incremental investment in new apartment properties. We rely on the efficient operation of the financial markets to finance debt maturities, and are also heavily reliant on the creditworthiness of FNMA, which provided credit enhancement for approximately $885 million of our debt as of June 30, 2008. The interest rate market for FNMA DMBS, which in our experience is highly correlated with three-month LIBOR interest rates, is also an important component of our liquidity and interest rate swap effectiveness. In the event that the FNMA DMBS market becomes less efficient, or the credit of FNMA becomes impaired, we would seek alternative sources of debt financing.

For the six months ended June 30, 2008, Mid-America's net cash provided by operating activities was in excess of covering funding improvements to existing real estate assets, distributions to unitholders, and dividends paid on common and preferred shares by approximately $11.8 million, as compared to $4.4 million for the same period in 2007. While Mid-America has sufficient liquidity to permit distributions at current rates through additional borrowings, if necessary, any significant deterioration in operations could result in our financial resources being insufficient to pay distributions to shareholders at the current rate, in which event we would be required to reduce the distribution rate.

The following table reflects Mid-America's total contractual cash obligations which consists of its long-term debt and operating leases as of June 30, 2008, (dollars in thousands):

Contractual Obligations (1)	2008	2009	2010	2011	2012	Thereafter	Total
Long-Term Debt (2)	$ 61,127	$ 105,871	$ 2,118	$ 178,333	$ 20,665	$ 875,713	$ 1,243,827
Fixed Rate or Swapped Interest (3)	26,380	45,745	37,687	30,420	22,393	37,657	200,282
Operating Lease	9	16	16	16	8	-	65
Total	$ 87,516	$ 151,632	$ 39,821	$ 208,769	$ 43,066	$ 913,370	$ 1,444,174

(1) Fixed rate and swapped interest are shown in this table. The average interest rates of variable rate debt are shown in the preceeding table.
(2) Represents principal payments.
(3) Swapped interest is subject to the ineffective portion of cash flow hedges as described in Note 7 to the financial statements.

Off-Balance Sheet Arrangements

At June 30, 2008, and 2007, Mid-America did not have any relationships with unconsolidated entities or financial partnerships established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Mid-America's two joint ventures with Crow Holdings (one terminated in 2005 and one terminated in 2007) were established to acquire approximately $200 million of multifamily properties and to enhance Mid-America's return on investment through the generation of fee income. Mid-America Multifamily Fund I, LLC, was established to acquire $500 million of apartment communities with redevelopment upside offering value creation opportunity through capital improvements, operating enhancements and restructuring in-place financing. In addition, Mid-America does not engage in trading activities involving non-exchange traded contracts. As such, Mid-America is not materially exposed to any financing, liquidity, market, or credit risk that could arise if we had engaged in such relationships. Mid-America does not have any relationships or transactions with persons or entities that derive benefits from their non-independent relationships with Mid-America or our related parties other than those disclosed in Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements, Note 14 in our 2007 Annual Report of Form 10-K.

Mid-America's investments in our real estate joint ventures are unconsolidated and are recorded using the equity method as Mid-America does not have a controlling interest.

Insurance

Mid-America renegotiated our insurance programs effective July 1, 2008. Management believes that the property and casualty insurance program in place provides appropriate insurance coverage for financial protection against insurable risks such that any insurable loss experienced would not have a significant impact on Mid-America's liquidity, financial position or results of operation. Management expects the renegotiated programs to result in a reduction in annual policy premiums of approximately $1.3 million when compared to the higher rates experienced with the July 1, 2007 renewal.

Inflation

Substantially all of the resident leases at our communities allow, at the time of renewal, for adjustments in the rent payable hereunder, and thus may enable us to seek rent increases. Almost all leases are for one year or less. The short-term nature of these leases generally serves to reduce the risk of the adverse effects of inflation.

Impact of Recently Issued Accounting Standards

In September 2006, the FASB issued Statement No. 157 Fair Value Measurements, or Statement 157. Statement 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Statement 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. FASB Staff Position No. FAS 157-2 Effective Date of FASB Statement 157, or FSP 157-2, delays the effective date of Statement 157 for nonfinancial assets and nonfinancial liabilities except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. For these items, the effective date will be for fiscal years beginning after November 15, 2008. Mid-America adopted Statement 157 effective January 1, 2008. Management does not believe the adoption has had or will have a material impact on our consolidated financial condition or results of operations taken as a whole.

On December 4, 2007, the FASB issued Statement No. 141 (Revised 2007), Business Combinations, or Statement 141R. Statement 141R will significantly change the accounting for business combinations. Under Statement 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. Statement 141R will change the accounting treatment for certain specific items, including acquisition costs which will generally be expensed as incurred. This will have a material impact on the way Mid-America accounts for property acquisitions and therefore will have a material impact on Mid-America’s financial statements. Statement 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

On December 4, 2007, the FASB issued Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51, or Statement 160. Statement 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. Statement 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. This will impact the financial statement presentation of Mid-America by requiring the minority interests in the operating partnership to be presented as a non-controlling interest as a component of equity. Statement 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008.

On March 19, 2008, the FASB issued FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities - an Amendment of FASB Statement 133, or Statement 161. Statement 161 enhances required disclosures regarding derivatives and hedging activities, including enhanced disclosures regarding how an entity uses derivative instruments and how derivative instruments and related hedged items are accounted for under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Statement 161 is effective for fiscal years and interim periods beginning after November 15, 2008.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to interest rate changes associated with our credit facilities and other variable rate debt as well as refinancing risk on our fixed rate debt. Mid-America’s involvement with derivative financial instruments is limited to managing our exposure to changes in interest rates and we do not expect to use them for trading or other speculative purposes.

There have been no material changes in Mid-America's market risk as disclosed in the 2007 Annual Report on Form 10-K except for the changes as discussed under Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations under the "Liquidity and Capital Resources" section, which is incorporated by reference herein.

Item 4. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

The management of Mid-America, under the supervision and with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in our filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, including ensuring that such information is accumulated and communicated to Mid-America management as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of June 30, 2008, (the end of the period covered by this Quarterly Report on Form 10-Q).

Changes in Internal Controls

During the three months ended June 30, 2008, there were no changes in Mid-America's internal control over financial reporting that materially affected, or that are reasonably likely to materially affect, Mid-America's internal control over financial reporting.

Item 4T. Controls and Procedures
Not applicable

PART II – OTHER INFORMATION

Item 1. Legal Proceedings
None.

Item 1A. Risk Factors

We have identified the following additional risks and uncertainties that may have a material adverse effect on our business, financial condition or results of operations. Investors should carefully consider the risks described below before making an investment decision. Our business faces significant risks and the risks described below may not be the only risks we face. Additional risks not presently known to us or that we currently believe are immaterial may also significantly impair our business operations. If any of these risks occur, our business, results of operations or financial condition could suffer, the market price of our common stock could decline and you could lose all or part of your investment in our common stock.

We have marked with an asterisk (*) those risks described below that reflect substantive changes from the risks described under Part I, Item 1A "Risk Factors" included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 27, 2008.

Failure to Generate Sufficient Cash Flows Could Limit our Ability to Pay Distributions to Shareholders

Mid-America's ability to generate sufficient cash flow in order to pay common dividends to our shareholders depends on our ability to generate funds from operations in excess of capital expenditure requirements and preferred dividends, and/or to have access to the markets for debt and equity financing. Funds from operations and the value of

Mid-America's apartment communities may be insufficient because of factors which are beyond our control. Such events or conditions could include:

- competition from other apartment communities;
- overbuilding of new apartment units or oversupply of available apartment units in Mid-America’s markets, which might adversely affect apartment occupancy or rental rates and/or require rent concessions in order to lease apartment units;
- conversion of condominiums and single family houses to rental use;
- increases in operating costs (including real estate taxes and insurance premiums) due to inflation and other factors, which may not be offset by increased rents;
- inability to rent apartments on favorable economic terms;
- changes in governmental regulations and the related costs of compliance;
- changes in tax laws and housing laws including the enactment of rent control laws or other laws regulating multifamily housing;
- an uninsured loss, resulting from a catastrophic storm or act of terrorism;
- changes in interest rate levels and the availability of financing, which could lead renters to purchase homes (if interest rates decrease and home loans are more readily available) or increase Mid-America’s acquisition and operating costs (if interest rates increase and financing is less readily available);
- weakness in the overall economy which lowers job growth and the associated demand for apartment housing; and
- the relative illiquidity of real estate investments.

At times, Mid-America relies on external funding sources to fully fund the payment of distributions to shareholders and our capital investment program (including our existing property expansion developments). While Mid-America has sufficient liquidity to permit distributions at current rates through additional borrowings if necessary, any significant and sustained deterioration in operations could result in our financial resources being insufficient to pay distributions to shareholders at the current rate, in which event Mid-America would be required to reduce the distribution rate. Any decline in Mid-America’s funds from operations could adversely affect Mid-America’s ability to make distributions to our shareholders or to meet our loan covenants and could have a material adverse effect on Mid-America’s stock price.

Mid-America’s Financing Could be Impacted by Negative Capital Market Conditions *

Recently, domestic financial markets have experienced unusual volatility and uncertainty. While this condition has occurred most visibly within the “subprime” mortgage lending sector of the credit market, liquidity has tightened in overall domestic financial markets, including the investment grade debt and equity capital markets. Consequently, there is greater risk that the financial institutions Mid-America does business with could experience disruptions that would negatively affect our current financing program. As of June 30, 2008, 87% of our outstanding debt was provided by or credit enhanced by FNMA and Freddie Mac. Were FNMA or Freddie Mac to fail, or their ability to lend money or invest in apartment communities become impaired, we would have to seek alternative sources of capital.

Debt Level, Refinancing and Loan Covenant Risk May Adversely Affect Financial Condition and Operating Results and Our Ability to Maintain Our Status as a REIT *

At June 30, 2008, Mid-America had total debt outstanding of $1.2 billion. Payments of principal and interest on borrowings may leave Mid-America with insufficient cash resources to operate the apartment communities or pay distributions that are required to be paid in order for Mid-America to maintain our qualification as a REIT. Mid-America currently intends to limit our total debt to approximately 60% of the undepreciated book value of our assets, although our charter and bylaws do not limit our debt levels. Circumstances may cause Mid-America to exceed that target from time-to-time. As of June 30, 2008, Mid-America’s ratio of debt to undepreciated book value was approximately 50%. Mid-America’s Board of Directors can modify this policy at any time which could allow Mid-America to become more highly leveraged and decrease our ability to make distributions to our shareholders. In addition, Mid-America must repay its debt upon maturity, and the inability to access debt or equity capital at attractive rates could adversely affect Mid-America’s financial condition and/or our funds from operations. Mid-America relies on FNMA and Freddie Mac, which we refer to as the agencies, for the majority of our debt financing and has agreements with the agencies and with other lenders that require us to comply with certain covenants. The breach of any one of these covenants would place Mid-America in default with our lenders and may have serious consequences on the operations of Mid-America.

Variable Interest Rates May Adversely Affect Funds From Operations*

At June 30, 2008, effectively $208 million of Mid-America's debt bore interest at a variable rate and was not hedged by interest rate swaps or caps. Mid-America may incur additional debt in the future that also bears interest at variable rates. Variable rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect Mid-America's funds from operations and the amount of cash available to pay distributions to shareholders. Mid-America's $1.0 billion secured credit facilities with Prudential Mortgage Capital, credit enhanced by FNMA, are predominately floating rate facilities. Mid-America also has credit facilities with Freddie Mac totaling $300 million which are variable rate facilities. At June 30, 2008, a total of $1.1 billion was outstanding under these facilities. These facilities represent the majority of the variable interest rates Mid-America was exposed to at June 30, 2008. Large portions of the interest rates on these facilities have been hedged by means of a number of interest rate swaps and caps. Upon the termination of these swaps and caps, Mid-America will be exposed to the risks of varying interest rates.

Interest Rate Hedging may be Ineffective*

Mid-America relies on the financial markets to refinance debt maturities, and also is heavily reliant on the creditworthiness of FNMA, which provides credit enhancement for approximately $885 million of Mid-America's debt. The interest rate market for FNMA Discount Mortgage Backed Securities, or DMBS, which in Mid-America's experience is highly correlated with three-month LIBOR interest rates, is also an important component of Mid-America's liquidity and interest rate swap effectiveness.

Typically, for the credit facility we have with FNMA, the DMBS rate has approximated three-month LIBOR less an average spread of 0.05% - 0.12% over the life of the facility. We also pay a credit enhancement fee of 0.49% to 0.795%. In September 2007, however, the spread between three-month LIBOR and DMBS increased significantly, and peaked at 0.73% in May 2008 before dropping back to 0.36% in July 2008. While we believe that the current market illiquidity is an anomaly and that this spread will return to more historic levels, Mid-America cannot forecast when or if the uncertainty and volatility in the market may change. Continued unusual volatility could cause us to lose hedge accounting treatment for our interest rate swaps, resulting in material changes to our consolidated statements of operations and balance sheets, and potentially cause a breach with one of our debt covenants.

Issuances of Additional Debt or Equity May Adversely Impact Our Financial Condition

Our capital requirements depend on numerous factors, including the occupancy and turnover rates of our apartment communities, development and capital expenditures, costs of operations and potential acquisitions. Mid-America cannot accurately predict the timing and amount of our capital requirements. If our capital requirements vary materially from our plans, Mid-America may require additional financing sooner than anticipated. Accordingly, Mid-America could become more leveraged, resulting in increased risk of default on our obligations and in an increase in our debt service requirements, both of which could adversely affect our financial condition and ability to access debt and equity capital markets in the future.

Increasing Real Estate Taxes and Insurance Costs May Negatively Impact Financial Condition

As a result of Mid-America's substantial real estate holdings, the cost of real estate taxes and insuring its apartment communities is a significant component of expense. Real estate taxes and insurance premiums are subject to significant increases and fluctuations which can be widely outside of the control of Mid-America. If the costs associated with real estate taxes and insurance should rise, Mid-America's financial condition could be negatively impacted and Mid-America's ability to pay our dividend could be affected.

Losses from Catastrophes May Exceed Our Insurance Coverage

Mid-America carries comprehensive liability and property insurance on our communities, and intends to obtain similar coverage for communities we acquire in the future. Some losses, generally of a catastrophic nature, such as losses from floods, hurricanes or earthquakes, are subject to limitations, and thus may be uninsured. Mid-America exercises our discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance on our investments at a reasonable cost and on suitable terms. If Mid-America suffers a substantial loss, our insurance coverage may not be sufficient to pay the full current market value or current replacement value of our lost investment. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might make it infeasible to use insurance proceeds to replace a property after it has been damaged or destroyed.

Property Insurance Limits May be Inadequate and Deductibles May be Excessive in the Event of a Catastrophic Loss or a Series of Major Losses, and May Cause a Breach of a Loan Covenant

Mid-America has a significant proportion of our assets in areas exposed to windstorms and to the New Madrid earthquake zone. A major wind or earthquake loss, or series of losses, could require that Mid-America pay significant deductibles as well as additional amounts above the per occurrence limit of Mid-America's insurance for these risks. Mid-America may then be judged to have breached one or more of our loan covenants, and any of the foregoing events could have a material adverse effect on Mid-America's assets, financial condition, and results of operation.

Mid-America is dependent on Key Personnel

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

New Acquisitions May Fail to Perform as Expected and Failure to Integrate Acquired Communities and New Personnel Could Create Inefficiencies

Mid-America intends to actively acquire and improve multifamily communities for rental operations. Mid-America may underestimate the costs necessary to bring an acquired community up to standards established for our intended market position. Additionally, to grow successfully, Mid-America must be able to apply our experience in managing our existing portfolio of apartment communities to a larger number of properties. Mid-America must also be able to integrate new management and operations personnel as our organization grows in size and complexity. Failures in either area will result in inefficiencies that could adversely affect our overall profitability.

Mid-America May Not Be Able To Sell Communities When Appropriate

Real estate investments are relatively illiquid and generally cannot be sold quickly. Mid-America may not be able to change our portfolio promptly in response to economic or other conditions. Further, Mid-America owns seven communities (of 142 total) which are subject to restrictions on sale, and are required to be exchanged through a 1031b tax-free exchange, unless Mid-America pays the tax liability of the contributing partners. This inability to respond promptly to changes in the performance of our investments could adversely affect our financial condition and ability to make distributions to our security holders.

Environmental Problems are Possible and Can be Costly

Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at such community. The owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination. These laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site. All of our communities have been the subject of environmental assessments completed by qualified independent environmental consultant companies. These environmental assessments have not revealed, nor is Mid-America aware of, any environmental liability that our management believes would have a material adverse effect on our business, results of operations, financial condition or liquidity. Over the past several years, there have been an increasing number of lawsuits against owners and managers of multifamily properties alleging personal injury and property damage caused by the presence of mold in residential real estate.

Some of these lawsuits have resulted in substantial monetary judgments or settlements. Mid-America cannot be assured that existing environmental assessments of our communities reveal all environmental liabilities, that any prior owner of any of our properties did not create a material environmental condition not known to Mid-America, or that a material environmental condition does not otherwise exist.

Compliance or Failure to Comply with Laws Requiring Access to Our Properties by Disabled Persons Could Result in Substantial Cost

The Americans with Disabilities Act, the Fair Housing Act of 1988 and other federal, state and local laws generally require that public accommodations be made accessible to disabled persons. Noncompliance could result in the imposition of fines by the government or the award of damages to private litigants. These laws may require Mid-America to modify our existing communities. These laws may also restrict renovations by requiring improved access to such buildings by disabled persons or may require Mid-America to add other structural features that increase our construction costs. Legislation or regulations adopted in the future may impose further burdens or restrictions on Mid-America with respect to improved access by disabled persons. Mid-America cannot ascertain the costs of compliance with these laws, which may be substantial.

Our Ownership Limit Restricts the Transferability of Our Capital Stock

Our charter limits ownership of our capital stock by any single shareholder to 9.9% of the value of all outstanding shares of our capital stock, both common and preferred. The charter also prohibits anyone from buying shares if the purchase would result in our losing REIT status. This could happen if a share transaction results in fewer than 100 persons owning all of our shares or in five or fewer persons, applying certain broad attribution rules of the Internal Revenue Code of 1986, as amended, or the Code, owning 50% or more of our shares. If you acquire shares in excess of the ownership limit or in violation of the ownership requirements of the Code for REITs, we:

- will consider the transfer to be null and void;
- will not reflect the transaction on our books;
- may institute legal action to enjoin the transaction;
- will not pay dividends or other distributions with respect to those shares;
- will not recognize any voting rights for those shares;
- will consider the shares held in trust for our benefit; and

- will either direct you to sell the shares and turn over any profit to us, or we will redeem the shares. If we redeem the shares, you will be paid a price equal to the lesser of:

1. the price you paid for the shares; or
2. the average of the last reported sales prices on the New York Stock Exchange on the ten trading days immediately preceding the date fixed for redemption by our Board of Directors.

If you acquire shares in violation of the limits on ownership described above:

- you may lose your power to dispose of the shares;
- you may not recognize profit from the sale of such shares if the market price of the shares increases; and
- you may be required to recognize a loss from the sale of such shares if the market price decreases.

Provisions of Our Charter and Tennessee Law May Limit the Ability of a Third Party to Acquire Control of Us

Ownership Limit

The 9.9% ownership limit discussed above may have the effect of precluding acquisition of control of us by a third party without the consent of our Board of Directors.

Preferred Stock

Our charter authorizes our Board of Directors to issue up to 20,000,000 shares of preferred stock. The Board of Directors may establish the preferences and rights of any preferred shares issued. The issuance of preferred stock could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our shareholders' best interests. Currently, we have 6,200,000 shares of 8.30% Series H Cumulative Redeemable Preferred Stock issued and outstanding.

Tennessee Anti-Takeover Statutes

As a Tennessee corporation, we are subject to various legislative acts, which impose restrictions on and require compliance with procedures designed to protect shareholders against unfair or coercive mergers and acquisitions. These statutes may delay or prevent offers to acquire us and increase the difficulty of consummating any such offers, even if our acquisition would be in our shareholders' best interests.

Our Investments in Joint Ventures May Involve Risks

Investments in joint ventures may involve risks which may not otherwise be present in our direct investments such as:

- the potential inability of our joint venture partner to perform;
- the joint venture partner may have economic or business interests or goals which are inconsistent with or adverse to ours;
- the joint venture partner may take actions contrary to our requests or instructions or contrary to our objectives or policies; and
- the joint venturers may not be able to agree on matters relating to the property they jointly own.

Although each joint owner will have a right of first refusal to purchase the other owner's interest, in the event a sale is desired, the joint owner may not have sufficient resources to exercise such right of first refusal.

Failure to Qualify as a REIT Would Cause Mid-America to be Taxed as a Corporation

If Mid-America fails to qualify as a REIT for federal income tax purposes, Mid-America will be taxed as a corporation. The Internal Revenue Service may challenge our qualification as a REIT for prior years, and new legislation, regulations, administrative interpretations or court decisions may change the tax laws with respect to qualification as a REIT or the federal tax consequences of such qualification. For any taxable year that Mid-America fails to qualify as a REIT, Mid-America would be subject to federal income tax on our taxable income at corporate rates, plus any applicable alternative minimum tax. In addition, unless entitled to relief under applicable statutory provisions, Mid-America would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost. This treatment would reduce our net earnings available for investment or distribution to shareholders because of the additional tax liability for the year or years involved. In addition, distributions would no longer qualify for the dividends paid deduction nor be required to be made in order to preserve REIT status. Mid-America might be required to borrow funds or to liquidate some of our investments to pay any applicable tax resulting from our failure to qualify as a REIT.

Failure to Make Required Distributions Would Subject Mid-America to Income Taxation

In order to qualify as a REIT, each year Mid-America must distribute to stockholders at least 90% of its REIT taxable income (determined without regard to the dividend paid deduction and by excluding net capital gains). To the extent that Mid-America satisfies the distribution requirement, but distributes less than 100% of taxable income, it will be subject to federal corporate income tax on the undistributed income. In addition, Mid-America will incur a 4% nondeductible excise tax on the amount, if any, by which the distributions in any year are less than the sum of:

- 85% of ordinary income for that year;
- 95% of capital gain net income for that year; and
- 100% of undistributed taxable income from prior years.

Differences in timing between the recognition of income and the related cash receipts or the effect of required debt amortization payments could require Mid-America to borrow money or sell assets to pay out enough of the taxable income to satisfy the distribution requirement and to avoid corporate income tax and the 4% nondeductible excise tax in a particular year.

Complying with REIT Requirements May Cause Mid-America to Forgo Otherwise Attractive Opportunities or Engage in Marginal Investment Opportunities

To qualify as a REIT for federal income tax purposes, Mid-America must continually satisfy tests concerning, among other things, the sources of income, the nature and diversification of assets, the amounts distributed to shareholders and the ownership of Mid-America’s stock. In order to meet these tests, Mid-America may be required to forgo attractive business or investment opportunities or engage in marginal investment opportunities. Thus, compliance with the REIT requirements may hinder Mid-America’s ability to operate solely on the basis of maximizing profits.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

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

The annual meeting of the shareholders of Mid-America was held on May 20, 2008.

Shareholders approved an amendment to Mid-America’s charter to move to annual elections of directors by a majority of votes entitled to be cast. Shares on the proposal were voted as follows:

For:	23,582,330
Against:	229,621
Abstain:	33,510

Nominees H. Eric Bolton, Jr., Alan B. Graf, Jr., Ralph Horn and Philip W. Norwood were elected to serve as directors by a plurality of votes cast at the meeting. Shares on this proposal were voted as follows:

	For	Withheld
H. Eric Bolton, Jr.	23,513,478	331,992
Alan B. Graf, Jr.	23,632,286	213,184

Ralph Horn	23,134,856	710,614
Philip W. Norwood	23,626,005	219,465

Ernst & Young LLP was ratified as Mid-America's independent registered public accounting firm for the 2008 fiscal year by a majority of the shares represented at the meeting. Shares on this proposal were voted as follows:

For:	23,750,000
Against:	79,283
Abstain:	16,182

Item 5. Other Information

None.

Item 6. Exhibits

(a) The following exhibits are filed as part of this report.

Exhibit Number	Exhibit Description
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MID-AMERICA APARTMENT COMMUNITIES, INC.

Date: July 31, 2008

By: /s/Simon R.C. Wadsworth
Simon R.C. Wadsworth
Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)