MID AMERICA APARTMENT COMMUNITIES INC
Form 10-Q
July 27, 2017

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

FORM 10-Q

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

For the quarterly period ended June 30, 2017
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 001-12762 (Mid-America Apartment Communities, Inc.)
Commission File Number 333-190028-01 (Mid-America Apartments, L.P.)
MID-AMERICA APARTMENT COMMUNITIES, INC.
MID-AMERICA APARTMENTS, L.P.
(Exact name of registrant as specified in its charter)

Tennessee (Mid-America Apartment Communities, Inc.)	62-1543819
Tennessee (Mid-America Apartments, L.P.)	62-1543816
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6584 Poplar Avenue, Memphis, Tennessee, 38138
(Address of principal executive offices) (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.

Mid-America Apartment Communities, Inc.	YES ý NO o
Mid-America Apartments, L.P.	YES ý NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was

required to submit and post such files).
Mid-America Apartment Communities, Inc. YES ý NO o
Mid-America Apartments, L.P. YES ý NO o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Mid-America Apartment Communities, Inc.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o
Mid-America Apartments, L.P.

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ý (Do not check if a smaller reporting company)	Smaller reporting company o	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Mid-America Apartment Communities, Inc. YES o NO ý
Mid-America Apartments, L.P. YES o NO ý

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 24, 2017
Common Stock, $0.01 par value	113,607,733

MID-AMERICA APARTMENT COMMUNITIES, INC.
MID-AMERICA APARTMENTS, L.P.

TABLE OF CONTENTS

Explanatory Note

This periodic report on Form 10-Q, or this Report, combines the quarterly reports for the quarter ended June 30, 2017 of Mid-America Apartment Communities, Inc., a Tennessee corporation, and Mid-America Apartments, L.P., a Tennessee limited partnership, of which Mid-America Apartment Communities, Inc. is its sole general partner. Mid-America Apartment Communities, Inc. and its 96.4% owned subsidiary, Mid-America Apartments, L.P., are both required to file periodic reports under the Securities Exchange Act of 1934, as amended.

Unless the context otherwise requires, all references in this Report to "MAA" refer only to Mid-America Apartment Communities, Inc., and not to any of its consolidated subsidiaries. Unless the context otherwise requires, all references in this Report to "we," "us," "our," or the "Company" refer collectively to Mid-America Apartment Communities, Inc., together with its consolidated subsidiaries, including Mid-America Apartments, L.P. Unless the context otherwise requires, all references in this Report to the "Operating Partnership" or "MAALP" refer to Mid-America Apartments, L.P. together with its consolidated subsidiaries. "Common stock" refers to the common stock of MAA and "shareholders" means the holders of shares of MAA’s common stock. The common units of limited partnership interest in the Operating Partnership are referred to as "OP Units" and the holders of the OP Units are referred to as "common unitholders".

As of June 30, 2017, MAA owned 113,607,734 OP Units (or 96.4% of the total number of OP Units). MAA conducts substantially all of its business and holds substantially all of its assets through the Operating Partnership, and by virtue of its ownership of the OP Units and being the Operating Partnership's sole general partner, MAA has the ability to control all of the day-to-day operations of the Operating Partnership.

We believe combining the periodic reports of MAA and the Operating Partnership, including the notes to the condensed consolidated financial statements, into this Report results in the following benefits:

- enhances investors' understanding of MAA and the Operating Partnership by enabling investors to view the business as a whole in the same manner that management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure in this Report applies to both MAA and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

Management operates MAA and the Operating Partnership as one business. The management of the Company is comprised of individuals who are officers of MAA and employees of the Operating Partnership. We believe it is important to understand the few differences between MAA and the Operating Partnership in the context of how MAA and the Operating Partnership operate as a consolidated company. MAA and the Operating Partnership are structured as an "umbrella partnership REIT," or UPREIT. MAA's interest in the Operating Partnership entitles MAA to share in cash distributions from, and in the profits and losses of, the Operating Partnership in proportion to MAA's percentage interest therein and entitles MAA to vote on substantially all matters requiring a vote of the partners. MAA's only material asset is its ownership of limited partnership interests in the Operating Partnership; therefore, MAA does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing public equity from time-to-time and guaranteeing certain debt of the Operating Partnership. The Operating Partnership holds, directly or indirectly, all of our real estate assets. Except for net proceeds from public equity issuances by MAA, which are contributed to the Operating Partnership in exchange for limited partnership interests, the Operating Partnership generates the capital required by the Company's business through the Operating Partnership's operations, direct or indirect incurrence of indebtedness and issuance of partnership units.

The presentation of MAA's shareholders' equity and the Operating Partnership's capital is the principal area of difference between the consolidated financial statements of MAA and those of the Operating Partnership. MAA's shareholders' equity may include shares of preferred stock, shares of common stock, additional paid-in capital, cumulative earnings, cumulative distributions, noncontrolling interests, preferred units, treasury shares, accumulated other comprehensive income and redeemable common units. The Operating Partnership's capital may include common capital and preferred capital of the general partner (MAA), limited partners' common capital and preferred capital, limited partners' noncontrolling interests, accumulated other comprehensive income and redeemable common units. Redeemable common units represent the number of outstanding limited partnership units as of the date of the applicable balance sheet, valued at the greater of the closing market price of MAA's common stock or the aggregate value of the individual partners' capital balances. Holders of OP Units (other than MAA and its entity affiliates) may require us to redeem their OP Units, from time to time, in which case we may, at our option, pay the redemption price either in cash (in an amount per OP Unit equal, in general, to the average closing price of MAA’s common stock on the New York Stock Exchange over a specified period prior to the redemption date) or by delivering one share of MAA's common stock (subject to adjustment under specified circumstances) for each OP Unit so redeemed.

In order to highlight the material differences between MAA and the Operating Partnership, this Report includes sections that separately present and discuss areas that are materially different between MAA and the Operating Partnership, including:

- the Condensed Consolidated Financial Statements in Item 1 of this Report;
- certain accompanying notes to the Condensed Consolidated Financial Statements, including Note 3 - Earnings per Common Share of MAA and Note 4 - Earnings per OP Unit of MAALP; Note 5 - MAA Equity and Note 6 - MAALP Capital; and Note 10 - Shareholders' Equity of MAA and Note 11 - Partners' Capital of MAALP; and
- the certifications of the Chief Executive Officer and Chief Financial Officer of MAA included as Exhibits 31 and 32 to this Report.

In the sections that combine disclosure for MAA and the Operating Partnership, this Report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership (directly or indirectly through one of its subsidiaries) is generally the entity that enters into contracts, holds assets and issues debt, management believes this presentation is appropriate for the reasons set forth above and because the business is one enterprise, and we operate the business through the Operating Partnership.

Mid-America Apartment Communities, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)
(Dollars in thousands, except share data)

	June 30, 2017	December 31, 2016
Assets:		
Real estate assets:		
Land	$1,821,016	$1,816,008
Buildings and improvements	10,641,003	10,523,762
Furniture, fixtures and equipment	323,155	298,204
Development and capital improvements in progress	258,047	231,224
	13,043,221	12,869,198
Less accumulated depreciation	(1,851,913)	(1,656,071)
	11,191,308	11,213,127
Undeveloped land	64,790	71,464
Corporate properties, net	12,072	12,778
Investments in real estate joint ventures	44,839	44,493
Assets held for sale	31,366	—
Real estate assets, net	11,344,375	11,341,862
Cash and cash equivalents	39,659	33,536
Restricted cash	27,859	88,264
Deferred financing costs, net	4,292	5,065
Other assets	116,705	134,525
Goodwill	1,239	1,239
Total assets	$11,534,129	$11,604,491
Liabilities and equity:		
Liabilities:		
Unsecured notes payable	$3,443,056	$3,180,624
Secured notes payable	1,129,996	1,319,088
Accounts payable	13,932	11,970
Fair market value of interest rate swaps	3,626	7,562
Accrued expenses and other liabilities	381,232	414,244
Security deposits	19,637	18,829
Total liabilities	4,991,479	4,952,317
Redeemable common stock	10,408	10,073
Shareholders' equity:		
Preferred stock, $0.01 par value per share, 20,000,000 shares authorized; 8.50% Series I Cumulative Redeemable Shares, liquidation preference $50 per share, 867,846 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	9	9
Common stock, $0.01 par value per share, 145,000,000 shares authorized; 113,607,734 and 113,518,212 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively[1]	1,134	1,133

Additional paid-in capital	7,114,079	7,109,012
Accumulated distributions in excess of net income	(817,616)	(707,479)
Accumulated other comprehensive income	735	1,144
Total MAA shareholders' equity	6,298,341	6,403,819
Noncontrolling interests - operating partnership units	231,595	235,976
Total Company's shareholders' equity	6,529,936	6,639,795
Noncontrolling interests - consolidated real estate entity	2,306	2,306
Total equity	6,532,242	6,642,101
Total liabilities and equity	$11,534,129	$11,604,491

(1) Number of shares issued and outstanding represents total shares of common stock regardless of classification on the condensed consolidated balance sheets. The number of shares classified as redeemable stock on the condensed consolidated balance sheets at June 30, 2017 and December 31, 2016 are 98,771 and 103,578, respectively.

See accompanying notes to condensed consolidated financial statements.

4

Mid-America Apartment Communities, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)
(Dollars in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Operating revenues:				
Rental revenues	$355,832	$249,326	$707,009	$494,991
Other property revenues	26,959	22,910	54,690	46,261
Total operating revenues	382,791	272,236	761,699	541,252
Property operating expenses:				
Personnel	34,642	25,858	68,015	51,055
Building repairs and maintenance	11,811	7,680	21,624	13,779
Real estate taxes and insurance	54,163	34,729	108,136	69,900
Utilities	27,527	22,244	54,424	44,380
Landscaping	7,045	5,673	13,567	10,994
Other operating	10,781	6,771	21,476	13,728
Depreciation and amortization	126,360	75,742	256,357	150,870
Total property operating expenses	272,329	178,697	543,599	354,706
Acquisition expenses	—	421	—	1,134
Property management expenses	10,745	8,310	21,726	17,313
General and administrative expenses	9,534	7,014	22,374	13,596
Merger related expenses	978	—	3,849	—
Integration related expenses	3,229	—	6,519	—
Income from continuing operations before non-operating items	85,976	77,794	163,632	154,503
Interest and other non-property income	650	62	3,329	94
Interest expense	(38,481)	(32,039)	(75,065)	(64,250)
Gain on debt extinguishment	2,217	—	2,340	3
Net casualty (loss) gain after insurance and other settlement proceeds	(240)	1,760	(331)	813
Gain on sale of depreciable real estate assets	274	68	201	823
Gain on sale of non-depreciable real estate assets	48	543	48	2,170
Income before income tax expense	50,444	48,188	94,154	94,156
Income tax expense	(618)	(457)	(1,269)	(745)
Income from continuing operations before joint venture activity	49,826	47,731	92,885	93,411
Gain (loss) from real estate joint ventures	329	(101)	686	27
Net income	50,155	47,630	93,571	93,438
Net income attributable to noncontrolling interests	1,840	2,486	3,351	4,881
Net income available for shareholders	48,315	45,144	90,220	88,557
Dividends to MAA Series I preferred shareholders	922	—	1,844	—
Net income available for MAA common shareholders	$47,393	$45,144	$88,376	$88,557
Earnings per common share - basic:				
Net income available for common shareholders	$0.42	$0.60	$0.78	$1.17
Earnings per common share - diluted:				
Net income available for common shareholders	$0.42	$0.60	$0.78	$1.17
Dividends declared per common share	$0.87	$0.82	$1.74	$1.64

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartment Communities, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(Dollars in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net income	$50,155	$47,630	$93,571	$93,438
Other comprehensive income:				
Unrealized loss from the effective portion of derivative instruments	(3,863)	(1,314)	(1,343)	(5,019)
Reclassification adjustment for net losses included in net income for the effective portion of derivative instruments	246	1,131	918	2,317
Total comprehensive income	46,538	47,447	93,146	90,736
Less: comprehensive income attributable to noncontrolling interests	(1,711)	(2,477)	(3,335)	(4,740)
Comprehensive income attributable to MAA	$44,827	$44,970	$89,811	$85,996

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartment Communities, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in thousands)

	Six months ended June 30, 2017	2016
Cash flows from operating activities:		
Net income	$93,571	$93,438
Adjustments to reconcile net income to net cash provided by operating activities:		
Retail revenue accretion	(196)	(110)
Depreciation and amortization	256,872	151,114
Stock compensation expense	5,618	3,958
Redeemable stock expense	330	282
Amortization of debt premium and debt issuance costs	(6,023)	(5,096)
Gain from investments in real estate joint ventures	(686)	(27)
Gain on debt extinguishment	(3,921)	—
Derivative interest credit	(4,064)	(1,295)
Settlement of forward swaps	(1,547)	—
Gain on sale of non-depreciable real estate assets	(48)	(2,170)
Gain on sale of depreciable real estate assets	(201)	(823)
Net casualty loss (gain) and other settlement proceeds	331	(813)
Changes in assets and liabilities:		
Restricted cash	2,146	951
Other assets	(6,077)	4,130
Accounts payable	2,008	1,542
Accrued expenses and other	(17,131)	(7,567)
Security deposits	806	702
Net cash provided by operating activities	321,788	238,216
Cash flows from investing activities:		
Purchases of real estate and other assets	(62,817)	(130,597)
Normal capital improvements	(50,890)	(44,417)
Construction capital and other improvements	(5,453)	(3,288)
Renovations to existing real estate assets	(20,309)	(17,719)
Development	(109,720)	(29,156)
Distributions from real estate joint ventures	—	1,793
Proceeds from disposition of real estate assets	1,551	38,001
Return of escrow for future acquisitions	58,259	—
Net cash used in investing activities	(189,379)	(185,383)
Cash flows from financing activities:		
Net change in credit lines	(330,000)	105,000
Proceeds from notes payable	597,480	—
Principal payments on notes payable	(178,164)	(37,261)
Payment of deferred financing costs	(5,257)	(141)
Repurchase of common stock	(4,782)	(1,742)
Proceeds from issuances of common shares	783	628
Exercise of stock options	432	—
Distributions to noncontrolling interests	(7,332)	(6,823)

Dividends paid on common shares	(197,602)	(123,774)
Dividends paid on preferred shares	(1,844)	—
Net cash used in financing activities	(126,286)	(64,113)
Net increase (decrease) in cash and cash equivalents	6,123	(11,280)
Cash and cash equivalents, beginning of period	33,536	37,559
Cash and cash equivalents, end of period	$39,659	$26,279
Supplemental disclosure of cash flow information:		
Interest paid	$79,981	$71,092
Income taxes paid	$2,226	$1,544
Supplemental disclosure of noncash investing and financing activities:		
Conversion of OP Units to shares of common stock	$265	$158
Accrued construction in progress	$19,360	$10,781
Interest capitalized	$4,227	$708
Mark-to-market adjustment on derivative instruments	$6,757	$(1,407)

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartments, L.P.
Condensed Consolidated Balance Sheets
(Unaudited)
(Dollars in thousands, except unit data)

	June 30, 2017	December 31, 2016
Assets:		
Real estate assets:		
Land	$1,821,016	$1,816,008
Buildings and improvements	10,641,003	10,523,762
Furniture, fixtures and equipment	323,155	298,204
Development and capital improvements in progress	258,047	231,224
	13,043,221	12,869,198
Less accumulated depreciation	(1,851,913)	(1,656,071)
	11,191,308	11,213,127
Undeveloped land	64,790	71,464
Corporate properties, net	12,072	12,778
Investments in real estate joint ventures	44,839	44,493
Assets held for sale	31,366	—
Real estate assets, net	11,344,375	11,341,862
Cash and cash equivalents	39,659	33,536
Restricted cash	27,859	88,264
Deferred financing costs, net	4,292	5,065
Other assets	116,705	134,525
Goodwill	1,239	1,239
Total assets	$11,534,129	$11,604,491
Liabilities and Capital:		
Liabilities:		
Unsecured notes payable	$3,443,056	$3,180,624
Secured notes payable	1,129,996	1,319,088
Accounts payable	13,932	11,970
Fair market value of interest rate swaps	3,626	7,562
Accrued expenses and other liabilities	381,232	414,244
Security deposits	19,637	18,829
Due to general partner	19	19
Total liabilities	4,991,498	4,952,336
Redeemable common units	10,408	10,073
Operating Partnership Capital:		
Preferred Units: 867,846 Preferred Units outstanding at June 30, 2017 and at December 31, 2016	66,840	64,833
Common Units:		
General partner: 113,607,734 OP Units outstanding at June 30, 2017 and 113,518,212 OP Units outstanding at December 31, 2016 (1)	6,230,661	6,337,721

Limited partners: 4,215,678 OP Units outstanding at June 30, 2017 and 4,220,403 OP Units outstanding at December 31, 2016 [(1)]	231,595	235,976
Accumulated other comprehensive income	821	1,246
Total operating partners' capital	6,529,917	6,639,776
Noncontrolling interests - consolidated real estate entity	2,306	2,306
Total capital	6,532,223	6,642,082
Total liabilities and capital	$11,534,129	$11,604,491

(1) Number of units outstanding represents total OP Units regardless of classification on the condensed consolidated balance sheets. The number of OP Units classified as redeemable units on the condensed consolidated balance sheets at June 30, 2017 and December 31, 2016 are 98,771 and 103,578, respectively.

See accompanying notes to condensed consolidated financial statements.

8

Mid-America Apartments, L.P.
Condensed Consolidated Statements of Operations
(Unaudited)
(Dollars in thousands, except per unit data)

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Operating revenues:				
Rental revenues	$355,832	$249,326	$707,009	$494,991
Other property revenues	26,959	22,910	54,690	46,261
Total operating revenues	382,791	272,236	761,699	541,252
Property operating expenses:				
Personnel	34,642	25,858	68,015	51,055
Building repairs and maintenance	11,811	7,680	21,624	13,779
Real estate taxes and insurance	54,163	34,729	108,136	69,900
Utilities	27,527	22,244	54,424	44,380
Landscaping	7,045	5,673	13,567	10,994
Other operating	10,781	6,771	21,476	13,728
Depreciation and amortization	126,360	75,742	256,357	150,870
Total property operating expenses	272,329	178,697	543,599	354,706
Acquisition expenses	—	421	—	1,134
Property management expenses	10,745	8,310	21,726	17,313
General and administrative expenses	9,534	7,014	22,374	13,596
Merger related expenses	978	—	3,849	—
Integration related expenses	3,229	—	6,519	—
Income from continuing operations before non-operating items	85,976	77,794	163,632	154,503
Interest and other non-property income	650	62	3,329	94
Interest expense	(38,481)	(32,039)	(75,065)	(64,250)
Gain on debt extinguishment	2,217	—	2,340	3
Net casualty (loss) gain after insurance and other settlement proceeds	(240)	1,760	(331)	813
Gain on sale of depreciable real estate assets	274	68	201	823
Gain on sale of non-depreciable real estate assets	48	543	48	2,170
Income before income tax expense	50,444	48,188	94,154	94,156
Income tax expense	(618)	(457)	(1,269)	(745)
Income from continuing operations before joint venture activity	49,826	47,731	92,885	93,411
Gain (loss) from real estate joint ventures	329	(101)	686	27
Net income	50,155	47,630	93,571	93,438
Dividends to preferred unitholders	922	—	1,844	—
Net income available for Mid-America Apartments, L.P. common unitholders	$49,233	$47,630	$91,727	$93,438
Earnings per common unit - basic:				
Net income available for common unitholders	$0.42	$0.60	$0.78	$1.17
Earnings per common unit - diluted:				
Net income available for common unitholders	$0.42	$0.60	$0.78	$1.17
Distributions declared per common unit	$0.87	$0.82	$1.74	$1.64

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartments, L.P.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(Dollars in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net income	$50,155	$47,630	$93,571	$93,438
Other comprehensive income:				
Unrealized loss from the effective portion of derivative instruments	(3,863)	(1,314)	(1,343)	(5,019)
Reclassification adjustment for net losses included in net income for the effective portion of derivative instruments	246	1,131	918	2,317
Comprehensive income attributable to Mid-America Apartments, L.P.	$46,538	$47,447	$93,146	$90,736

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartments, L.P.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in thousands)

	Six months ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	$93,571	$93,438
Adjustments to reconcile net income to net cash provided by operating activities:		
Retail revenue accretion	(196)	(110)
Depreciation and amortization	256,872	151,114
Stock compensation expense	5,618	3,958
Redeemable units expense	330	282
Amortization of debt premium and debt issuance costs	(6,023)	(5,096)
Gain from investments in real estate joint ventures	(686)	(27)
Gain on debt extinguishment	(3,921)	—
Derivative interest credit	(4,064)	(1,295)
Settlement of forward swaps	(1,547)	—
Gain on sale of non-depreciable real estate assets	(48)	(2,170)
Gain on sale of depreciable real estate assets	(201)	(823)
Net casualty loss (gain) and other settlement proceeds	331	(813)
Changes in assets and liabilities:		
Restricted cash	2,146	951
Other assets	(6,077)	4,130
Accounts payable	2,008	1,542
Accrued expenses and other	(17,131)	(7,567)
Security deposits	806	702
Net cash provided by operating activities	321,788	238,216
Cash flows from investing activities:		
Purchases of real estate and other assets	(62,817)	(130,597)
Normal capital improvements	(50,890)	(44,417)
Construction capital and other improvements	(5,453)	(3,288)
Renovations to existing real estate assets	(20,309)	(17,719)
Development	(109,720)	(29,156)
Distributions from real estate joint ventures	—	1,793
Proceeds from disposition of real estate assets	1,551	38,001
Return of escrow for future acquisitions	58,259	—
Net cash used in investing activities	(189,379)	(185,383)
Cash flows from financing activities:		
Net change in credit lines	(330,000)	105,000
Proceeds from notes payable	597,480	—
Principal payments on notes payable	(178,164)	(37,261)
Payment of deferred financing costs	(5,257)	(141)
Repurchase of common units	(4,782)	(1,742)
Distributions paid on preferred units	(1,844)	—
Proceeds from issuances of common units	783	628
Exercise of unit options	432	—
Distributions paid on common units	(204,934)	(130,597)

Net cash used in financing activities	(126,286)	(64,113)
Net increase (decrease) in cash and cash equivalents	6,123	(11,280)
Cash and cash equivalents, beginning of period	33,536	37,559
Cash and cash equivalents, end of period	$39,659	$26,279
Supplemental disclosure of cash flow information:		
Interest paid	$79,981	$71,092
Income taxes paid	$2,226	$1,544
Supplemental disclosure of noncash investing and financing activities:		
Accrued construction in progress	$19,360	$10,781
Interest capitalized	$4,227	$708
Mark-to-market adjustment on derivative instruments	$6,757	$(1,407)

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartment Communities, Inc. and Mid-America Apartments, L.P.
Notes to Condensed Consolidated Financial Statements
June 30, 2017 and 2016
(Unaudited)

1. Basis of Presentation and Principles of Consolidation and Significant Accounting Policies

Unless the context otherwise requires, all references to "we," "us," "our," or the "Company" refer collectively to Mid-America Apartment Communities, Inc., together with its consolidated subsidiaries, including Mid-America Apartments, L.P. Unless the context otherwise requires, all references to "MAA" refer only to Mid-America Apartment Communities, Inc. and not any of its consolidated subsidiaries. Unless the context otherwise requires, all references to the "Operating Partnership" or "MAALP" refer to Mid-America Apartments, L.P. together with its consolidated subsidiaries. "Common stock" refers to the common stock of MAA and "shareholders" means the holders of shares of MAA's common stock. The common units of limited partnership interests in the Operating Partnership are referred to as "OP Units," and the holders of the OP Units are referred to as "common unitholders".

As of June 30, 2017, MAA owned 113,607,734 OP Units (or 96.4% of the total number of OP Units). MAA conducts substantially all of its business and holds substantially all of its assets through the Operating Partnership, and by virtue of its ownership of the OP Units and being the Operating Partnership's sole general partner, MAA has the ability to control all of the day-to-day operations of the Operating Partnership.

We believe combining the notes to the condensed consolidated financial statements of MAA and MAALP results in the following benefits:

- enhances a readers' understanding of MAA and the Operating Partnership by enabling the reader to view the business as a whole in the same manner that management views and operates the business; and
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both MAA and the Operating Partnership.

Management operates MAA and the Operating Partnership as one business. The management of the Company is comprised of individuals who are officers of MAA and employees of the Operating Partnership. We believe it is important to understand the few differences between MAA and the Operating Partnership in the context of how MAA and the Operating Partnership operate as a consolidated company. MAA and the Operating Partnership are structured as an "umbrella partnership REIT," or UPREIT. MAA's interest in the Operating Partnership entitles MAA to share in cash distributions from, and in the profits and losses of, the Operating Partnership in proportion to MAA's percentage interest therein, and entitles MAA to vote on substantially all matters requiring a vote of the partners. MAA's only material asset is its ownership of limited partner interests in the Operating Partnership; therefore, MAA does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing public equity from time to time, and guaranteeing certain debt of the Operating Partnership. The Operating Partnership holds, directly or indirectly, all of our real estate assets. Except for net proceeds from public equity issuances by MAA, which are contributed to the Operating Partnership in exchange for OP Units, the Operating Partnership generates the capital required by our business through the Operating Partnership's operations, direct or indirect incurrence of indebtedness, and issuance of OP units.

The presentation of MAA's shareholders' equity and the Operating Partnership's capital is the principal area of difference between the condensed consolidated financial statements of MAA and those of the Operating Partnership. MAA's shareholders' equity may include shares of preferred stock, shares of common stock, additional paid-in capital, cumulative earnings, cumulative distributions, noncontrolling interests, preferred units, treasury shares, accumulated other comprehensive income and redeemable common units. The Operating Partnership's capital may include common capital and preferred capital of the general partner (MAA), limited partners' preferred capital, limited partners' noncontrolling interests, accumulated other comprehensive income and redeemable common units. Redeemable common units represent the number of outstanding OP Units as of the date of the applicable balance sheet, valued at the greater of the closing market price of MAA's common stock or the aggregate value of the individual partners' capital balances. Holders of OP Units (other than MAA and its corporate affiliates) may require us to redeem their OP Units from time to time, in which case we may, at our option, pay the redemption price either in cash (in an amount per OP Unit equal, in general, to the average closing price of MAA's common stock on the New York Stock Exchange over a specified period prior to the redemption date) or by delivering one share of our common stock (subject to adjustment under specified circumstances) for each OP Unit so redeemed.

Organization of Mid-America Apartment Communities, Inc.

On December 1, 2016, MAA completed a merger with Post Properties, Inc., or Post Properties. Pursuant to the Agreement and Plan of Merger, or the Merger Agreement, Post Properties merged with and into MAA, with MAA continuing as the surviving corporation, or the Parent Merger, and Post LP merged with and into MAALP, with MAALP continuing as the surviving entity, or the Partnership Merger. We refer to the Parent Merger, together with the Partnership Merger, as the Merger in this Report. Under the terms of the Merger Agreement, each share of Post Properties common stock was converted into the right to receive 0.71 of a newly issued share of MAA common stock including the right, if any, to receive cash in lieu of fractional shares of MAA common stock. In addition, each limited partner interest in Post LP designated as a "Class A Unit" automatically converted into the right to receive 0.71 of a newly issued partnership unit of MAALP. Also, each share of Post Properties 8 1/2% Series A Cumulative Redeemable Preferred Stock, which we refer to as the Post Properties Series A preferred stock, was automatically converted into the right to receive one newly issued share of MAA's 8.50% Series I Cumulative Redeemable Preferred Stock, $0.01 par value per share, which we refer to as MAA Series I preferred stock. Each newly issued share of MAA Series I preferred stock has the same rights, preferences, privileges, and voting powers as those of the Post Properties Series A preferred stock.

As of June 30, 2017, we owned and operated 304 apartment communities, comprising 100,237 apartments located in 16 states, through the Operating Partnership. As of June 30, 2017, we also owned a 35.0% interest in an unconsolidated real estate joint venture. As of June 30, 2017, we had six development communities under construction totaling 1,766 units. Total expected costs for the development projects are $396.1 million, of which $293.1 million has been incurred through June 30, 2017. We expect to complete construction on two projects by the fourth quarter of 2017, two projects by the first quarter of 2018, one project by the third quarter of 2018, and one project by the fourth quarter of 2018. Twenty-nine of our multifamily properties include retail components with approximately 600,000 square feet of gross leasable area. We also have four wholly owned commercial properties, which we acquired through the Merger, with approximately 269,000 square feet of combined gross leasable area.

Basis of Presentation and Principles of Consolidation

The accompanying Condensed Consolidated Financial Statements have been prepared by our management in accordance with United States generally accepted accounting principles, or GAAP, and applicable rules and regulations of the Securities and Exchange Commission, or the SEC. The Condensed Consolidated Financial Statements of MAA presented herein include the accounts of MAA, the Operating Partnership, and all other subsidiaries in which MAA has a controlling financial interest. MAA owns approximately 92.5% to 100% of all consolidated subsidiaries, including the Operating Partnership. The Condensed Consolidated Financial Statements of MAALP presented herein include the accounts of MAALP and all other subsidiaries in which MAALP has a controlling financial interest. MAALP owns, directly or indirectly, 92.5% to 100% of all consolidated subsidiaries. In our opinion, 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.

We invest in entities which may qualify as variable interest entities, or VIEs, and the limited partnership is considered a VIE. A VIE is a legal entity in which the equity investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or, as a group, the holders of the equity investment at risk lack the power to direct the activities of a legal entity as well as the obligation to absorb its expected losses or the right to receive its expected residual returns. The limited partnership is classified as a VIE, since the limited partners lack substantive kick-out rights and substantive participating rights. We consolidate all VIEs for which we are the primary beneficiary and use the equity method to account for investments that qualify as VIEs but for which we are not the primary beneficiary. In determining whether we are the primary beneficiary of a VIE, we consider qualitative and quantitative factors, including but not limited to, those activities that most significantly impact the VIE's economic performance and which party controls such activities.

We use the equity method of accounting for our investments in entities for which we exercise significant influence, but do not have the ability to exercise control. The factors considered in determining that we do not have the ability to exercise control include ownership of voting interests and participatory rights of investors (see "Investment in Unconsolidated Real Estate Joint Ventures" below).

Noncontrolling Interests

At June 30, 2017, the Company had two types of noncontrolling interests, (1) noncontrolling interests related to the common unitholders of the Operating Partnership (see Note 11) and (2) noncontrolling interests related to its consolidated real estate entities (see "Investment in Consolidated Real Estate Joint Ventures" below).

Investment in Unconsolidated Real Estate Joint Ventures

Immediately prior to the effective date of the Merger, Post Properties together with other institutional investors, in a limited liability company, or the Apartment LLC, owned one apartment community located in Washington, D.C. Post Properties had a 35.0% equity interest in this unconsolidated joint venture, which we retained immediately following the effectiveness of the Merger and as of June 30, 2017. We provide property and asset management services to the Apartment LLC for which we earn fees.

This joint venture was determined to be a VIE, but we are not designated as a primary beneficiary. As a result, we account for our investment in the Apartment LLC using the equity method of accounting as we are able to exert significant influence, but do not have a controlling interest in this joint venture. At June 30, 2017, our investment in the Apartment LLC totaled $44.8 million.

Investment in Consolidated Real Estate Joint Ventures

In 2015, Post Properties entered into a joint venture arrangement with a private real estate company to develop, construct and operate a 358-unit apartment community in Denver, Colorado. At June 30, 2017, we owned a 92.5% equity interest in the consolidated joint venture. In 2015, this joint venture acquired the land site and initiated the development of the apartment community. The venture partner will generally be responsible for the development and construction of the community and we will continue to manage the community upon its completion. This joint venture was determined to be a VIE with us designated as the primary beneficiary. As a result, the accounts of the joint venture are consolidated by us. At June 30, 2017, our consolidated assets, liabilities and equity included construction in progress of $51.6 million, land of $14.5 million, and accounts payable and accrued expenses of $5.8 million.

Assets Held for Sale

During June 2017, the criteria for classifying three apartment communities and one land parcel as held for sale were met, and as a result, the assets and liabilities for these properties were presented as held for sale in the Condensed Consolidated Balance Sheets. Additionally, we ceased recording depreciation and amortization following the held for sale designation for these properties. See Note 16 (Subsequent Events) for details on the July 2017 disposition of these properties.

2. Business Combinations

On December 1, 2016, we completed the Merger. As part of the Merger, we acquired 61 wholly-owned apartment communities comprising 24,138 units, including 269 apartment units in one community held in an unconsolidated entity, and 2,262 apartment units in six communities that were under development at the Merger date. Post Properties had operations in ten markets across the United States. In addition to the apartment communities, we also acquired four commercial properties, totaling approximately 269,000 square feet. The consolidated net assets and results of operations of Post Properties are included in our Consolidated Financial Statements from the closing date, December 1, 2016, going forward.

The total purchase price of approximately $4.0 billion was determined based on the number of shares of Post Properties' common stock, the number of shares of Post Properties' Series A preferred stock, and shares of Post LP's Class A Units of limited partnership interest outstanding as of December 1, 2016, in addition to cash consideration provided by the Operating Partnership immediately prior to the Merger to pay off a $300.0 million Post LP unsecured term loan and a $162.0 million Post LP line of credit, both outstanding from Wells Fargo. In all cases in which MAA's common stock price was a determining factor in arriving at final consideration for the Merger, the stock price used to determine the purchase price was the opening price of MAA's common stock on December 1, 2016 ($91.41 per share).

The MAA Series I preferred stock consideration was valued at $77.00 per share, which excluded a $14.24 per share bifurcated call option (See Notes 8 & 9). The total purchase price also included $2.0 million of other consideration, a majority of which related to assumed stock compensation plans. As a result of the Merger, we issued approximately 38.0 million shares of MAA common stock, approximately 80,000 OP Units, and approximately 868,000 newly issued shares of MAA Series I preferred stock.

The Merger has been accounted for using the acquisition method of accounting in accordance with Accounting Standards Codification, or ASC, 805, Business Combinations, which requires, among other things, that the assets acquired and liabilities assumed be recognized at their acquisition date fair values.

For larger, portfolio style acquisitions, like the Merger, management engages a third party valuation specialist to assist with the fair value assessment, which includes an allocation of the purchase price. Similar to management's methods, the third party uses cash flow analysis as well as an income approach and a market approach to determine the fair value of assets acquired. The third party uses stabilized net operating income, or NOI, and market specific capitalization and discount rates. Management reviews the inputs used by the third party specialist as well as the allocation of the purchase price provided by the third party to ensure reasonableness and that the procedures are performed in accordance with management's policy. The allocation of the purchase price is based on management's assessment, which may differ as more information becomes available. Subsequent adjustments made to the purchase price allocation, if any, are made within the allocation period, which typically does not exceed one year.

The allocation of the purchase price described above requires a significant amount of judgment and represents management's best estimate of the fair value as of the acquisition date. The following preliminary purchase price allocation for the Merger reflects updates primarily to increased derivative asset values on the preferred share bifurcated call option (included in "Other assets") offset by an adjustment to litigation reserves and real estate asset values from our December 31, 2016 estimates. Such preliminary purchase price allocation was based on our valuation as well as estimates and assumptions of the acquisition date fair value of the tangible and intangible assets acquired and liabilities assumed.

The purchase price was allocated as follows (in thousands):	
Land	$875,332
Buildings and improvements	3,397,496
Furniture, fixtures and equipment	81,243
Development and capital improvements in progress	183,881
Undeveloped land	24,200
Commercial properties, net	3,610
Investment in real estate joint venture	44,435
Lease intangible assets	53,192
Cash and cash equivalents	34,292
Restricted cash	3,608
Deferred costs and other assets, excluding lease intangible assets	42,052
Total assets acquired	4,743,341
Notes payable	(595,609)
Fair market value of interest rate swaps	(2,118)
Lease intangible liabilities	(1,661)
Accounts payable, accrued expenses, and other liabilities	(133,054)
Total liabilities assumed, including debt	(732,442)
Noncontrolling interests - consolidated real estate entity	(2,306)
Total purchase price	$4,008,593

The purchase price accounting reflected in the accompanying financial statements is based upon estimates and assumptions that are subject to change within the measurement period, pursuant to ASC 805. See Note 12 for loss contingencies identified, measured, and included in "Accounts payable, accrued expenses, and other liabilities" in the allocation above. We have preliminarily completed our valuation procedures. Adjustments may still occur as the valuation and revised preliminary purchase allocation is finalized in areas such as real estate related assets and liabilities, equity investments, litigation reserves, debt and debt related instruments, and certain other acquired assets and liabilities assumed.

We incurred Merger and integration related expenses of $10.4 million for the six months ended June 30, 2017. These amounts were expensed as incurred and are included in the Condensed Consolidated Statements of Operations in the items titled "Merger related expenses", primarily consisting of severance and professional costs, and "Integration related expenses", primarily consisting of temporary systems, staffing, and facilities costs.

3. Earnings per Common Share of MAA

Basic earnings per share is computed by dividing net income available for MAA common shareholders by the weighted average number of shares outstanding during the period. All outstanding unvested restricted share awards contain rights to non-forfeitable dividends and participate in undistributed earnings with common shareholders and, accordingly, are considered participating securities that are included in the two-class method of computing basic earnings per share. Both the unvested restricted shares and other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis with our diluted earnings per share being the more dilutive of the treasury stock or two-class methods. OP Units are included in dilutive earnings per share calculations when they are dilutive to earnings per share. For the three and six months ended June 30, 2017 and 2016, MAA's basic earnings per share was computed using the two-class method, and MAA's diluted earnings per share was computed using the more dilutive of the treasury stock method or two-class method, as presented below:

(dollars and shares in thousands, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Shares Outstanding				
Weighted average common shares - basic	113,403	75,277	113,371	75,263
Weighted average partnership units outstanding	— (1)	— (1)	— (1)	— (1)
Effect of dilutive securities	211	— (2)	279	239
Weighted average common shares - diluted	113,614	75,277	113,650	75,502
Calculation of Earnings per Share - basic				
Net Income	$50,155	$47,630	$93,571	$93,438
Net Income attributable to noncontrolling interests	(1,840)	(2,486)	(3,351)	(4,881)
Unvested restricted stock (allocation of earnings)	(76)	(134)	(149)	(237)
Preferred dividends	(922)	—	(1,844)	—
Net income available for common shareholders, adjusted	$47,317	$45,010	$88,227	$88,320
Weighted average common shares - basic	113,403	75,277	113,371	75,263
Earnings per share - basic	$0.42	$0.60	$0.78	$1.17
Calculation of Earnings per Share - diluted				
Net Income	$50,155	$47,630	$93,571	$93,438
Net income attributable to noncontrolling interests	(1,840)(1)	(2,486)(1)	(3,351)(1)	(4,881)(1)
Unvested restricted stock (allocation of earnings)	—	(134)(2)	—	—
Preferred dividends	(922)	—	(1,844)	—
Net income available for common shareholders, adjusted	$47,393	$45,010	$88,376	$88,557
Weighted average common shares - diluted	113,614	75,277	113,650	75,502
Earnings per share - diluted	$0.42	$0.60	$0.78	$1.17

(1) For both the three and six months ended June 30, 2017 and June 30, 2016, 4.2 million OP Units and their related income are not included in the diluted earnings per share calculations as they are not dilutive.
(2) For the three months ended June 30, 2016, 0.2 million potentially dilutive securities and their related income are not included in the diluted earnings per share calculations as they are not dilutive.

4. Earnings per OP Unit of MAALP

Basic earnings per OP Unit is computed by dividing net income available for common unitholders by the weighted average number of OP Units outstanding during the period. All outstanding unvested restricted unit awards contain rights to non-forfeitable distributions and participate in undistributed earnings with common unitholders and, accordingly, are considered participating securities that are included in the two-class method of computing basic earnings per OP unit. Diluted earnings per OP Unit reflects the potential dilution that could occur if securities or other contracts to issue OP Units were exercised or converted into OP Units. A reconciliation of the numerators and denominators of the basic and diluted earnings per OP Unit computations for the three and six months ended June 30, 2017 and 2016 is presented below:

(dollars and units in thousands, except per unit amounts)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Units Outstanding				
Weighted average common units - basic	117,619	79,436	117,589	79,424
Effect of dilutive securities	211	— [1]	279	239
Weighted average common units - diluted	117,830	79,436	117,868	79,663
Calculation of Earnings per Unit - basic				
Net Income	$50,155	$47,630	$93,571	$93,438
Unvested restricted stock (allocation of earnings)	(76)	(134)	(149)	(237)
Preferred unit distributions	(922)	—	(1,844)	—
Net income available for common unitholders, adjusted	$49,157	$47,496	$91,578	$93,201
Weighted average common units - basic	117,619	79,436	117,589	79,424
Earnings per common unit - basic	$0.42	$0.60	$0.78	$1.17
Calculation of Earnings per Unit - diluted				
Net Income	$50,155	$47,630	$93,571	$93,438
Unvested restricted stock (allocation of earnings)	—	(134) [1]	—	—
Preferred unit distributions	(922)	—	(1,844)	—
Net income available for common unitholders, adjusted	$49,233	$47,496	$91,727	$93,438
Weighted average common units - diluted	117,830	79,436	117,868	79,663
Earnings per common unit - diluted	$0.42	$0.60	$0.78	$1.17

[1] For the three months ended June 30, 2016, 0.2 million potentially dilutive securities and their related income are not included in the diluted earnings per share calculations as they are not dilutive.

17

5. MAA Equity

Changes in total equity and its components for the six-month periods ended June 30, 2017 and 2016 were as follows (dollars in thousands, except per share and per unit data):

	Mid-America Apartment Communities, Inc. Shareholders' Equity							
	Preferred Stock Amount	Common Stock Amount	Additional Paid-In Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest Operating Partnership	Noncontrolling Interest - Consolidated Real Estate Entity	Total Equity
EQUITY BALANCE DECEMBER 31, 2016	$9	$ 1,133	$7,109,012	$ (707,479)	$ 1,144	$ 235,976	$ 2,306	$6,642,101
Net income attributable to controlling interest	—	—	—	90,220	—	3,351	—	93,571
Other comprehensive income - derivative instruments (cash flow hedges)	—	—	—	—	(409)	(16)	—	(425)
Issuance and registration of common shares	—	1	15	—	—	—	—	16
Issuance and registration of preferred shares	—	—	2,007	—	—	—	—	2,007
Shares repurchased and retired	—	—	(4,782)	—	—	—	—	(4,782)
Exercise of stock options	—	—	218	—	—	—	—	218
Shares issued in exchange for common units	—	—	265	—	—	(265)	—	—
Shares issued in exchange for redeemable stock	—	—	1,482	—	—	—	—	1,482
Redeemable stock fair market value adjustment	—	—	—	(719)	—	—	—	(719)
Adjustment for noncontrolling interest ownership in operating partnership	—	—	123	—	—	(123)	—	—
Amortization of unearned compensation	—	—	5,739	(114)	—	—	—	5,625
Dividends on preferred stock	—	—	—	(1,844)	—	—	—	(1,844)
Dividends on common stock ($1.74 per share)	—	—	—	(197,680)	—	—	—	(197,680)
Dividends on noncontrolling interest units ($1.74 per unit)	—	—	—	—	—	(7,328)	—	(7,328)
EQUITY BALANCE JUNE 30, 2017	$9	$ 1,134	$7,114,079	$ (817,616)	$ 735	$ 231,595	$ 2,306	$6,532,242

	Mid-America Apartment Communities, Inc. Shareholders' Equity							
	Preferred Stock Amount	Common Stock Amount	Additional Paid-In Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest Operating Partnership	Noncontrolling Interest - Consolidated Real Estate Entity	Total Equity
EQUITY BALANCE DECEMBER 31, 2015	$—	$ 753	$3,627,074	$(634,141)	$ (1,589)	$ 165,726	$ —	$3,157,823
Net income attributable to controlling interest	—	—	—	88,557	—	4,881	—	93,438
Other comprehensive loss - derivative instruments (cash flow hedges)	—	—	—	—	(2,561)	(141)	—	(2,702)
Issuance and registration of common shares	—	1	185	—	—	—	—	186
Shares repurchased and retired	—	—	(1,742)	—	—	—	—	(1,742)
Shares issued in exchange for common units	—	—	158	—	—	(158)	—	—
Shares issued in exchange for redeemable stock	—	—	123	—	—	—	—	123
Redeemable stock fair market value adjustment	—	—	—	(1,518)	—	—	—	(1,518)
Adjustment for noncontrolling interest ownership in operating partnership	—	—	(87)	—	—	87	—	—
Amortization of unearned compensation	—	—	4,383	—	—	—	—	4,383
Dividends on common stock ($1.64 per share)	—	—	—	(123,852)	—	—	—	(123,852)
Dividends on noncontrolling interest units ($1.64 per unit)	—	—	—	—	—	(6,820)	—	(6,820)
EQUITY BALANCE JUNE 30, 2016	$—	$ 754	$3,630,094	$(670,954)	$ (4,150)	$ 163,575	$ —	$3,119,319

6. MAALP Capital

Changes in total capital and its components for the six-month periods ended June 30, 2017 and 2016 were as follows (dollars in thousands, except per unit data):

	Mid-America Apartments, L.P. Unitholders' Capital					
	Limited Partner	General Partner	Preferred Units	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest - Consolidated Real Estate Entity	Total Partnership Capital
CAPITAL BALANCE DECEMBER 31, 2016	$235,976	$6,337,721	$64,833	$ 1,246	$ 2,306	$6,642,082
Net income attributable to controlling interest	3,351	88,376	1,844	—	—	93,571
Other comprehensive income - derivative instruments (cash flow hedges)	—	—	—	(425)	—	(425)
Issuance of units	—	16	2,007	—	—	2,023
Units repurchased and retired	—	(4,782)	—	—	—	(4,782)
Exercise of unit options	—	218	—	—	—	218
General partner units issued in exchange for limited partner units	(265)	265	—	—	—	—
Units issued in exchange for redeemable units	—	1,482	—	—	—	1,482
Redeemable units fair market value adjustment	—	(719)	—	—	—	(719)
Adjustment for limited partners' capital at redemption value	(139)	139	—	—	—	—
Amortization of unearned compensation	—	5,625	—	—	—	5,625
Distributions to preferred unitholders	—	—	(1,844)	—	—	(1,844)
Distributions ($1.74 per unit)	(7,328)	(197,680)	—	—	—	(205,008)
CAPITAL BALANCE JUNE 30, 2017	$231,595	$6,230,661	$66,840	$ 821	$ 2,306	$6,532,223

	Mid-America Apartments, L.P. Unitholders' Capital					
	Limited Partner	General Partner	Preferred Units	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest - Consolidated Real Estate Entity	Total Partnership Capital
CAPITAL BALANCE DECEMBER 31, 2015	$165,726	$2,993,696	$ —	$ (1,618)	$ —	$3,157,804
Net income attributable to controlling interest	4,881	88,557	—	—	—	93,438
Other comprehensive loss - derivative instruments (cash flow hedges)	—	—	—	(2,702)	—	(2,702)
Issuance of units	—	186	—	—	—	186
Units repurchased and retired	—	(1,742)	—	—	—	(1,742)
	(158)	158	—	—	—	—

General partner units issued in exchange for limited partner units						
Units issued in exchange for redeemable units	—	123	—	—	—	123
Redeemable units fair market value adjustment	—	(1,518)	—	—	—	(1,518)
Adjustment for limited partners' capital at redemption value	(54)	54	—	—	—	—
Amortization of unearned compensation	—	4,383	—	—	—	4,383
Distributions ($1.64 per unit)	(6,820)	(123,852)	—	—	—	(130,672)
CAPITAL BALANCE JUNE 30, 2016	$163,575	$2,960,045	$ —	$ (4,320)	$ —	$3,119,300

7. Borrowings

The weighted average interest rate at June 30, 2017 for the $4.6 billion of debt outstanding was 3.6%, compared to the weighted average interest rate of 3.5% on $4.5 billion of debt outstanding at December 31, 2016. Our debt consists of an unsecured revolving credit facility, unsecured term loans, senior unsecured notes, a secured credit facility with Fannie Mae, and secured property mortgages. 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 schedules presented later in this Note 7.

At June 30, 2017, we had $3.0 billion of senior unsecured notes and term loans fixed at an average interest rate of 3.8%, $300.0 million of variable rate term loans with an average interest rate of 2.0%, and a $1.0 billion variable rate revolving credit facility with an average interest rate of 2.1% with $160.0 million borrowed at June 30, 2017. Additionally, we had $110.0 million of secured variable rate debt outstanding at an average interest rate of 1.6% and $50.0 million of capped secured variable rate debt at an average interest rate of 1.6%. The interest rate on all other secured debt, totaling $970.0 million, was hedged or fixed at an average interest rate of 3.6%.

Unsecured Revolving Credit Facility

We maintain a $1.0 billion unsecured credit facility with a syndicate of banks led by KeyBank National Association, or the KeyBank Facility. The KeyBank Facility includes an expansion option up to $1.5 billion. The KeyBank Facility bears an interest rate of LIBOR plus a spread of 0.85% to 1.55% based on an investment grade pricing grid and is currently bearing interest at 2.13%. The KeyBank Facility expires in April 2020 with an option to extend for an additional six months. At June 30, 2017, we had $160.0 million actually borrowed under this facility, and another approximately $2.3 million of the facility used to support letters of credit.

Unsecured Term Loans

We also maintain four term loans with a syndicate of banks, one led by KeyBank National Association, or KeyBank, two by Wells Fargo Bank, N.A., or Wells Fargo, and one by U.S. Bank National Association, or U.S. Bank, respectively. The KeyBank term loan has a balance of $150.0 million, matures in 2021, and has a variable interest rate of LIBOR plus a spread of 0.90% to 1.75% based on our credit ratings. The Wells Fargo term loans have balances of $250.0 million and $300.0 million, respectively, mature in 2018 and 2022, respectively, and have variable interest rates of LIBOR plus a spread of 0.90% to 1.90% and 0.90% to 1.75%, respectively. The U.S. Bank term loan has a balance of $150.0 million, matures in 2020, and has a variable interest rate of LIBOR plus a spread of 0.90% to 1.90% based on our credit ratings.

Senior Unsecured Notes

As of June 30, 2017, we had approximately $2.2 billion (face value) of publicly issued notes and $310 million&#