LANDandBUILDINGS

For Media Inquiries Contact:
Sloane & Company
Elliot Sloane, 212-446-1860
Esloane@sloanepr.com

Land and Buildings Sends Letter to the Board of Associated Estates Realty Corporation

Encourages Sale of the Company to Maximize Shareholder Value

Seeks Board or Management Refresh to Improve Strategic Direction

NEW YORK (June 3, 2014) – Land and Buildings today sent a letter to the Board of Directors of Associated Estates Realty Corporation (NYSE: AEC).

The full text of the letter is as follows:

June 3, 2014

Jeffrey I. Friedman
Chairman of the Board
Associated Estates Realty Corporation
1 AEC Parkway
Richmond Heights, Ohio 44143-1550

Dear Chairman Friedman:

Land and Buildings is a long/short investment firm founded in 2008 that invests in REITs and real estate related companies ("Land and Buildings") and certain of our affiliated funds and accounts are shareholders of Associated Estates Realty (NYSE: AEC). As a concerned and involved shareholder, we believe AEC's high quality, high growth apartment portfolio is not best suited for the public markets in its current form and that shareholder value can best be maximized through the sale of the company. As part of considering a sale, a full review of remaining strategic alternatives should take place, including considering a board or management refresh. We would like to meet with you as soon as possible to discuss these alternatives and we are disappointed that you have rebuffed our repeated attempts to engage with you on this matter.

About Land and Buildings

The Land and Buildings team has a deep history as global real estate investors and analysts in both public real estate securities and direct property. For 13 years before becoming the Founder and CIO of Land and Buildings, I was a top ranked sell-side property equity analyst prior to which I was a public/private real estate investor. In such capacities I have been intimately involved with managements in most of the public REITs since 1992, and you and I have of course known each other since the early

1990s, during your over 20 year tenure as Chairman and CEO of the company. I have closely followed Associated Estates throughout that time.

As you may know, Land and Buildings was intimately involved with the management and Board of BRE Properties as the company explored all strategies to maximize shareholder value, and following these efforts , BRE was acquired by Essex Property Trust (NYSE: ESS) and shareholders saw their BRE shares trade to NAV. I am also currently on the Board of Mack-Cali (NYSE: CLI), an owner and operator of suburban office and multifamily properties across New Jersey and the surrounding areas in the Northeast, working constructively with management and the Board to close the discount to NAV.

AEC: Untapped potential value

AEC has consistently traded at a steep discount to its aggregate net asset value. Land and Buildings estimates, analyzing raw data provided by Green Street Advisors, an industry leader in real estate and REIT research~~,~~ that AEC has traded at a greater than 20% average discount to NAV since 2000. This large and persistent discount likely has no easy public markets cure for a number of reasons, including the following:

1. The small size of the company creates financial inefficiencies as the disproportionately high general & administrative costs reduce the potential cash flow yield. AEC's G&A as a percent of revenue is 10% vs. the public apartment peer average of 4%[1].

2. The company's Midwest market focus, with large concentrations in Detroit, Cleveland, and Columbus, is not well followed or understood by public investors. As the public apartment REITs become increasingly urban and coastal, we expect this problem to be exacerbated.

3. Green Street estimates that AEC is last amongst its peers in management value creation, primarily a measure of capital allocation acumen, with shareholders having been better off by 21% over the past 7 years[2] had management undertaken no capital allocation decisions.

4. The company's development pipeline is nearly 20% of total assets and is outside of AEC's largest markets. We believe AEC's outsized development exposure is hurting valuation given the company's inferior cost of capital and lack of a successful track record of developing in the highest barrier to entry apartment markets.

Today's discount to NAV, which we believe is well in excess of the 20% average, in our view would be materially larger if not for the perception of a potential take-out. On November 18th, 2013, Kohlberg Kravis Roberts & Co (KKR) disclosed a 4% stake in AEC, causing the stock to rise 10.4% that day. We believe that failing to follow through with action to immediately address the continued discounted valuation could cause the stock to fall as the probability of a go-private transaction diminishes. If the stock

---

[1] Peer group represents the proxy peer group for the 2014 annual meeting of shareholders excluding two companies that are no longer separate publically traded companies: Apartment Investment and Management Company (NYSE: AIV), Avalon Bay Communities, Inc. (NYSE: AVB), Camden Property Trust (NYSE: CPT), Equity Residential (NYSE: EQR), Essex Property Trust, Inc. (NYSE: ESS), Home Properties, Inc. (NYSE: HME), Mid-America Apartment Communities, Inc. (NYSE: MAA), Post Properties, Inc. (NYSE: PPS), and UDR, Inc. (NYSE UDR). Data is from Bloomberg, based on trailing 12 month consolidated general and administrative expenses and revenues.

2 Green Street Advisors defines Management Value Added as the difference between NAV per share growth and the leveraged growth in same-store portfolio value over any time period. MVA measures value added or subtracted via balance sheet management, capital-allocation or other factors not related to the performance of the real estate portfolio. The measurement period is June 2006 through June 2013.

declines, thereby increasing the company's cost of capital, management's ability to drive shareholder returns would be further inhibited.

Wide open capital markets, historically low interest rates, and expectations for continued strong apartment net operating income growth are creating a robust, liquid private market with institutional appetite for apartment assets. This environment is both conducive to an outright sale of the company as well as improved capital allocation through asset sales and buying back stock. Were there to be a process to explore interest in a potential sale, we have no doubt that there would be multiple bidders with an interest in AEC and its assets, and Land and Buildings and certain related parties would be prepared to participate as well. Recent successful AEC apartment dispositions highlight the strong pricing and depth of the private market as well as the company's discount. AEC has sold three apartment assets year-to-date for an average "market" cap rate[3] of 5.4%, well below the high 7s implied cap rate the company trades at in the public markets.

In addition to considering a sale of the company to maximize shareholder value, a board or management refresh should be undertaken. New perspectives could lead to an improved strategic direction as well as greater market acceptance. The average tenure of the current board of directors is over 14 years.

It is very disappointing that, following our repeated attempts to contact you to have a dialogue about how the company can maximize value for its shareholder, you have refused to agree to a phone call or meeting of any kind to discuss these issues. As a result, we have been forced to resort to this public letter in order to insist that you meet with us in person or by phone immediately to discuss the available alternatives to maximize value for AEC shareholders.

Sincerely,

Jonathan Litt

Founder & CIO
Land and Buildings

###

Cautionary Statement Regarding Forward-Looking Statements

This communication contains "forward-looking statements" that involve numerous risks and uncertainties. The statements contained in this communication that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All forward-looking statements included in this document are based on information available to Land and Buildings on the date hereof. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "seek," "should," "could," "expect," "anticipate," "project," "estimate," "intend," "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Such

3 AEC defines "market" cap rate as trailing 12 months net operating income, assuming a 3% management fee and adjusted for marketing to market real estate taxes divided by the gross purchase price of the property.

statements are not guarantees of future performance or activities. Due to various risks, uncertainties and assumptions, actual events or results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. The opinions of Land and Buildings are for general informational purposes only and do not have regard to the specific investment objective, financial situation, suitability or particular need of any specific person, and should not be taken as advice on the merits of any investment decision. This material does not recommend the purchase or sale of any security. Land and Buildings reserves the right to change any of its opinions expressed herein at any time as it deems appropriate. Land and Buildings disclaims any obligation to update the information contained herein. Land and Buildings and/or one or more of the investment funds it manages may purchase additional Associated Estates Realty shares or sell all or a portion of their shares or trade in securities relating to such shares.

About LANDandBUILDINGS

Land and Buildings is a registered investment manager specializing in publicly traded real estate and real estate related securities. Land and Buildings seeks to deliver attractive risk adjusted returns by opportunistically investing in securities of global real estate and real estate related companies, leveraging its investment professionals' deep experience, research expertise and industry relationships.

###