Associated Estates (AEC) – Our View: Grossly Undervalued and Undermanaged

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I. Introduction

Land and Buildings Overview

- **Firm Background**
  - SEC-registered investment advisor founded in 2008 and located in Stamford, CT
  - Invests in the publicly traded shares of global REITs and real estate related companies

- **Investment Strategy**
  - Long-term investment horizon
  - Invest primarily in companies with discounted valuations and high growth that is likely to come in above expectations; In addition, invest in select value opportunities with catalysts for change
  - Own a concentrated portfolio based on extensive fundamental research
  - Aim to maintain and nurture constructive relationships with portfolio companies

- **Investment Team**
  - **Jonathan Litt** is the Founder and CIO of Land and Buildings. Prior to Land and Buildings, Jonathan Litt was Managing Director and Senior Global Real Estate Strategist at Citigroup where he was responsible for Global Property Investment Strategy from 2000 to March 2008. Jonathan Litt led the #1 Institutional Investor All American Real Estate Research Team for 8 years and was top ranked for 13 years while at Citigroup, PaineWebber and Salomon Brothers. Columbia BA, NYU MBA.
  - **Craig Melcher**, Co-Founder and Principal at Land and Buildings, was a key member of the top-ranked Citigroup REIT research team and has worked together with Jonathan Litt for 12 years. Wharton BS, NYU MBA.
  - **Corey Lorinsky** is Senior Analyst and Principal at Land and Buildings. Wharton BS.

Company Overview

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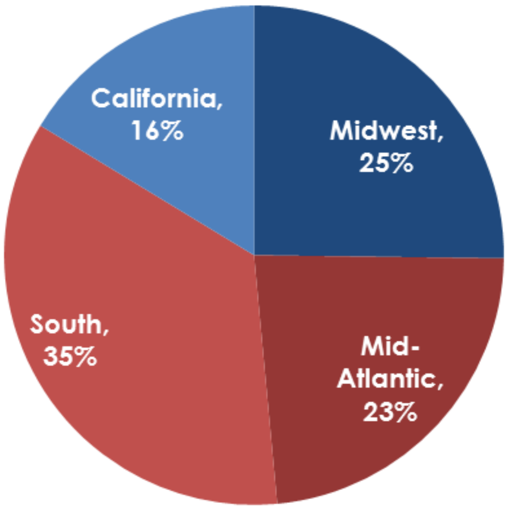
- **Associated Estates (NYSE: AEC):** Owner and operator of 50 high quality apartment communities containing over 13,000 units across 9 states

Portfolio Statistics	
Communities/Units:	50 / 13,034
Average Age:	16 years
Occupancy:	95.4%
Average Rent:	$1,238

AEC Stock Information	
Last Price:	$24.98
52-Week Range:	$15.49 - 25.74
Market Cap:	$1.4B
Dividend/Yield:	$0.21 / 3.4%
Enterprise Value:	$2.2B

Pro Forma Asset Value by Market



Source: Land and Buildings estimates, Bloomberg, Company reports
Notes: Occupancy, Monthly Property Revenue Per Occupied Unit ("Average Rent") and Average Age are based on same community disclosures as of third quarter 2014; AEC stock information as of 01/23/2015; Pro forma asset values includes development pipeline projected asset values

Associated Estates (AEC): ~50% Upside with Significant Catalysts for Future Growth

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Associated Estates
Great Living – It's What We Do

Fair Value with L&B Nominees[1]	$37/share
Current Share Price[2]	$24.98/share
Upside with L&B Nominees	**49%**
Current Net Asset Value	$31/share
Upside to Current NAV	23%
Share Price Prior to Activism[3]	$14.65/share

- **Land and Buildings believes AEC has significant upside to the private market value of its assets and that this value can be unlocked through strategic changes at the Company**
- **Grossly Undervalued and Undermanaged**
  - AEC still trades at the largest discount to NAV in the apartment sector in spite of investor activism[4]
  - AEC has traded at a nearly 30% average discount to NAV over the trailing 10 years[5] due, in our view, to operational underperformance, poor capital allocation decisions and other management missteps
  - AEC's apartment portfolio is Class A quality with significant structural, market and sector-specific tailwinds
  - With L&B nominees in-place, outsized NAV/earnings growth opportunity given embedded NOI upside from operational improvements; Southeast Florida case study highlights such opportunity
- **Real Opportunity to Become Best in Class REIT**
  - Land and Buildings intends to nominate seven independent, highly-qualified directors who have the skills to turn AEC into a best in class REIT
  - Blue-chip REITs have traded at an average 9.4% premium to NAV over the trailing 10 years, enhancing potential upside to AEC shareholders[6]

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Image: http://www.cambridgeatbuckhead.com

1. *See slide 19 for additional details.*
2. *Share price as of 01/23/15*
3. *Defined as the last closing price prior to Kohlberg Kravis Roberts & Co's ("KKR") initial stake disclosure on November 14th, 2013*
4. *Land and Buildings estimate*
5. *Trailing 10 years defined on this slide: October 8, 2004 – October 3, 2014; see slide 24 for additional details*
6. *Calculated by Land and Buildings using data provided by Green Street Advisors; Blue-chip REITs defined as AVB, BXP, ESS, FRT, PLD, PSA, SPG*

How Did We Get Here?

- **History of operational underperformance and poor capital allocation**
  - **Stock below IPO price:** AEC shares prior to investor activism were 33% below the November 1993 IPO price of $22 and lagged proxy peers by over 250% over the trailing 20 years (or 700% including dividends)
  - **Dividend cut in half:** Dividend per share has fallen by more than 50% over the trailing 20 years
  - **Sizable NOI underperformance:** Property-level underperformance is stark relative to proxy peers in similar geographies and we believe is tied to an unsophisticated use of the revenue management system several of our Board members pioneered as well as a broken corporate culture
  - **Worst 2014 growth:** AEC is on pace to deliver the worst 2014 same-store revenue growth of their proxy peers, most likely due to mismanagement
  - **Negative cash flow growth:** FFO (funds from operations) per share has fallen 4% since 2008 as the Company more than tripled its share count through five massively dilutive equity issuances and excessively grew its G&A expense; Proxy peer FFO per share rose 26% over the same timeframe
  - **Failure to buy back stock:** Aggressive acquisition and development activity in lieu of buying back discounted stock has weighed on NAV per share growth

Source: Land and Buildings estimates, Company reports
Notes: Please see slides 17, 34, 38, 39 and 48 for additional details, including footnotes.

Strategic Plan: Creating a Best in Class REIT

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Operations

- Optimize NOI in-line with best practices that several Board nominees pioneered[1]
- Full operational review, including taking specific steps to maximize LRO[2] revenue management
- Instill culture of excellence[1]
- Reduce bloated G&A

Capital Allocation

- Re-assess all current and future external growth activity
- Exploit arbitrage between public and private real estate markets
- Create a differentiated Class A apartment REIT by focusing in the core markets and exploiting market inefficiencies

Governance

- Install independent, highly qualified Board of Directors
- Eliminate conflicts of interest relating to family and personal relationships
- Lift 4% ownership limit immediately
- Explore strategic alternatives

1. *Land and Buildings nominees have significant multifamily and other real estate experience at leading public and private companies.*
2. *Rainmaker Lease Rent Options revenue management software*

II. Southeast Florida Case Study

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Southeast Florida Spotlight: Blatant Undermanagement

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- **AEC's 14% underperformance in Southeast Florida since 2011 confirms, in our view, that management is well below industry standards**
- **Land and Buildings' deep-dive into AEC's Southeast Florida assets revealed significant mismanagement of the top and bottom line**
  - In our view:
    - AEC is mispricing apartment leases due to an apparent unsophisticated use and understanding of the LRO revenue management system
    - AEC is not utilizing optimal lease lengths and does not seem to understand seasonality
    - AEC is providing unnecessary incentives and free rent
    - AEC's apartment assets are filthy and poorly maintained despite significant staffing
    - AEC's customer service is well below industry standards—in both leasing and maintenance

Same-Store NOI Growth

Southeast FL	2011	2012	2013	2014	Cumulative
Associated Estates	3.6%	2.8%	4.0%	5.5%	**17%**
Proxy Peers	6.1%	7.8%	5.9%	8.2%	**31%**
AEC Underperformance	-2.5%	-5.0%	-1.9%	-2.7%	**-14%**

Source: Land and Buildings estimates, Company reports
Notes: Southeast FL peers are AIV (Miami), CPT (Southeast FL), EQR (South Florida), HME (Southeast Florida), and MAA (South Florida); 2014 represents first three quarters

Smoking Gun: Apartment Leases Mispriced, Dramatically Reducing NOI/Potential Growth

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- **AEC appears to us to be leaving significant money on the table in Southeast Florida due to the organization's mispricing of leases and misuse of LRO**
  - › At 4 out 5 of AEC's Southeast Florida assets, rents are lowest for 15-month leases
    - – 15 month leases should generally not be offered in an up-market—and should not be the least expensive option given the Southeast Florida rental market is on fire (nearly 7% rental growth in 2014 alone, coupled with high occupancies)
    - – Cheap 15 months leases leave revenue on the table that could be captured with higher rents and also impair revenue at the asset by taking a longer time to roll and realize a rental increase, which are currently in the high single-digits in the market
    - – 15 month leases signed in early 2014 will expire next summer, a seasonally slow period in Southeast Florida
  - › AEC's Vista Lago asset is offering 3 month leases, which has been largely abandoned by leading operators in Southeast Florida
    - – Estimated $1,000 in turn costs makes it difficult to maximize revenue with three-month leases, even with significant rental premiums
    - – Florida hotel tax, applicable to short-term leases, deters most institutional operators from granting leases of fewer than seven months

Source: Land and Buildings, Axiometrics

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The Edge at Flagler Village: Yield Likely Not Being Maximized

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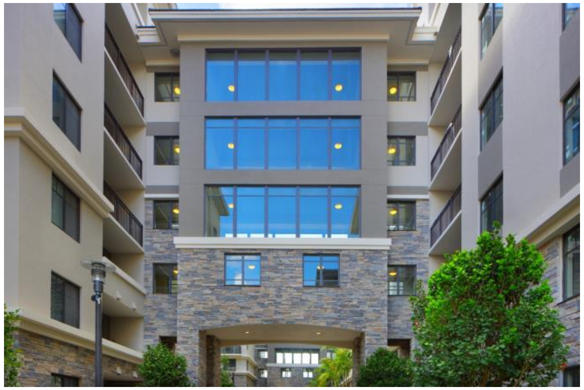
- **The Edge at Flagler Village is an A+ asset in lease-up in a red hot Fort Lauderdale market, but AEC is bafflingly offering concessions**
  - One month free is available—which is highly unusual for an operator properly utilizing LRO, particularly in a market this hot
  - AEC appears to be maximizing occupancy rather than revenue and stabilized yield—a tradeoff that boosts near-term FFO, but destroys longer term value creation



LANDandBUILDINGS *Source: Land and Buildings, Company reports*

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AEC Southeast Florida Assets: Filthy and Poorly Maintained

- **Waterstone at Wellington, a Class A high-end apartment asset in West Palm Beach, is filthy and poorly maintained despite being well-staffed**
  - › Mildew/fungus is evident across the property, including the windows and signage
  - › Parking lots and roofs look like they have not been cleaned in months

AEC Promotional Photos

L&B Actual Photos

 Source: Land and Buildings, Company reports

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- **Windsor Pines, a Class A asset in Broward County, in mid-January appears to be a Christmas tree graveyard or supermarket parking lot as much as a high-end apartment community**

Dead Christmas Tree

Should have been removed weeks ago

All visible from the leasing office

Sidewalk in disrepair leading into leasing office and throughout marketing paths

In front of leasing office door: concrete paint can remedy in minutes

AEC Southeast Florida Assets: Filthy and Poorly Maintained (cont'd)

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- **Doral West, a B+ apartment asset in an A location near Miami, shows that dirty parking lots and ragged signs appear to be an Associated Estates hallmark**

Appears to be an unkempt & neglected asset

**Reminder that Miami is hardly a traditionally deciduous area*

Multiple signs with holes on the property

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Poor Customer Service Evident Across Southeast Florida Assets

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- **Filthy assets appear symptomatic of greater operational issues and lack of customer focus that Land and Buildings representatives encountered during our on-site due diligence**
  - Long wait times were experienced in leasing offices
  - No phone call follow-ups were received from any of the leasing professionals at any of the Southeast Florida assets following on-site visits by our interested lessee
  - In addition to unkempt grounds, dirty hallways and broken exercise equipment were routinely seen
  - Were told maintenance requests are responded to within 48 hours, while industry norm is for issues to be fixed within 24 hours (something Archstone was doing over 15 years ago)
  - Business centers with antiquated computers and fax machines were used as selling points
  - Employees demonstrated a general malaise rather than a strong customer focus or service culture

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Data Supports Contention AEC is a Poor Operator in Competitive Apartment Markets

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- **AEC has cumulatively underperformed its public peers net operating income growth by 900bps since 2011 in overlapping geographies**
  - Atlanta and Southeast Florida have both been stand-out markets for apartment rental growth since 2011, but Associated Estates has badly lagged its public peers, underperforming same-store NOI growth cumulatively by 1,300bps and 1,400bps respectively
  - In Washington DC and Northern Virginia, AEC's portfolio has been more insulated against the significant ramp up in new multifamily supply relative to inside the beltway focused peers, yet AEC was not able to outperform despite this advantage

Cumulative Same-Store NOI Growth 2011 - 2014 YTD

Company	Atlanta	DC/Northern VA	Southeast FL	Average
Associated Estates	19%	14%	17%	**17%**
Proxy Peers	32%	14%	31%	**26%**
AEC UNDERPERFORMANCE	**-13%**	**0%**	**-14%**	**-9%**

Source: Land and Buildings estimates, Company reports
Notes: Proxy peer growth calculated using a straight average of annual same-store NOI and compounding growth. Atlanta peers are AIV, CPT, EQR, MAA & PPS; DC/Northern VA peers are AIV (Washington - NoVa – MD), AVB (Washington Metro), CPT (DC Metro), EQR (Washington DC),

Notes (cont'd): HME (Washington DC), PPS (Washington DC), & UDR (Metro DC); Southeast FL peers are AIV (Miami), CPT (Southeast FL), EQR (South Florida), HME (Southeast Florida), and MAA (South Florida); 2014 represents first three quarters

III. Grossly Undervalued

AEC Net Asset Value: Significant Upside

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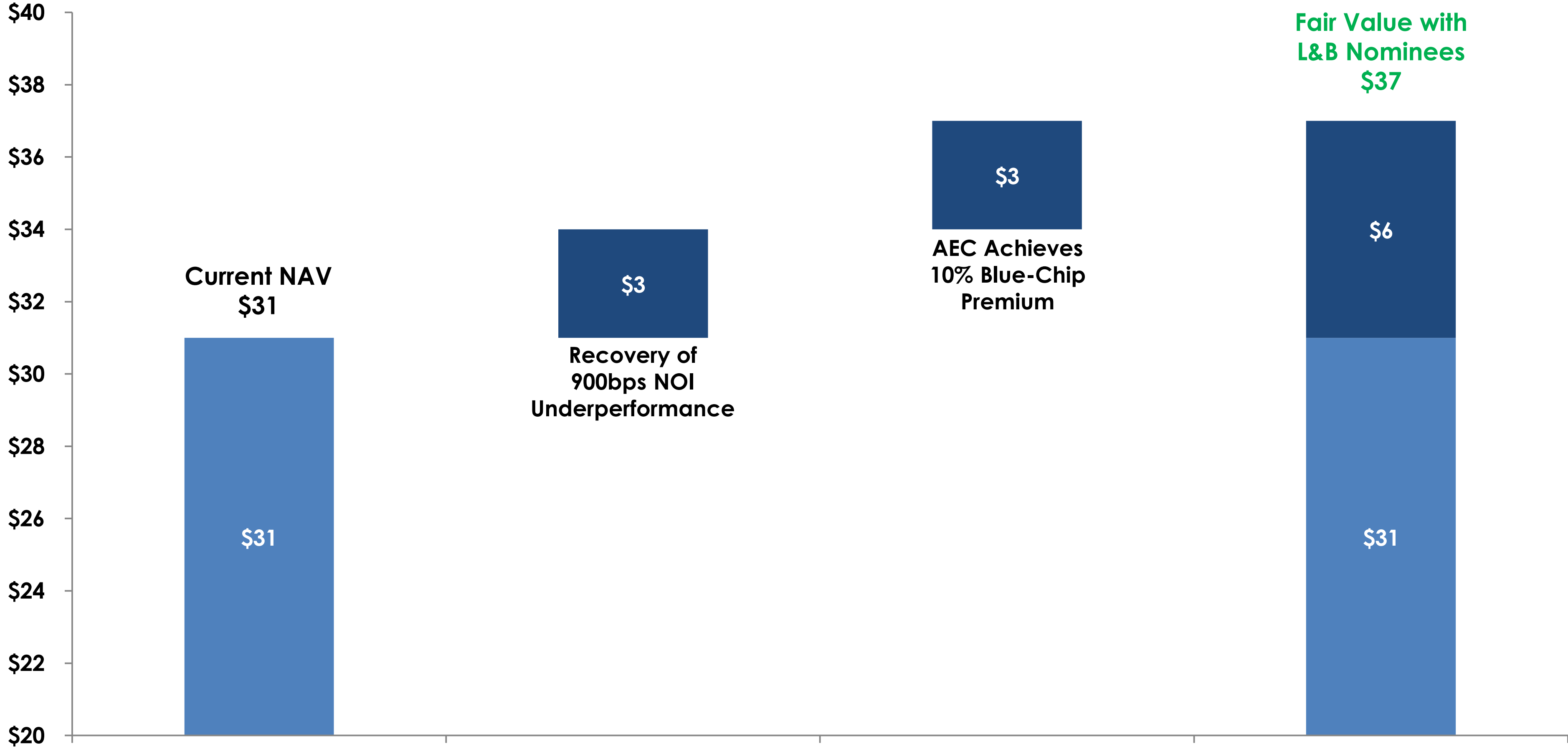
- **$37 Fair Value with L&B Board Nominees**
  - Recovery of cumulative 900bps NOI underperformance of past 4 years relative to proxy peers in same geographies
  - 10% blue-chip premium in-line with high-quality traditional property REITs
  - 5.7% applied cap rate determined through property due diligence in conjunction with multifamily real estate brokers, private investors and other third party consultants
  - Cap rate assumed is ~20bps lower than last published NAV estimate as boots on the ground have discovered that cap rates have compressed further

L&B Estimated Fair Value	**$37**
Current Share Price	*$24.98*
Upside to Fair Value	**49%**
Forward In-Place Net Operating Income	$120,962
Recovery of 900bps of Underperformance	*$10,887*
Stabilized Net Operating Income	$131,848
Applied Cap Rate	*5.7%*
Private Market Value of Properties	**$2,329,653**
Cash	$99,399
Construction in Progress/Land	$172,836
Development Value Creation	$148,872
Other Assets	$18,005
Total Assets	**$2,768,765**
Debt	($729,324)
Other Liabilities	($69,683)
Total Liabilities	**($799,007)**
Net Asset Value	$1,969,758
NAV with 10% Blue-Chip Premium	**$2,166,733**
Common Shares/OP Units Outstanding	58,033
L&B Estimated Fair Value	***$37***

Notes: Balance sheet data as of end of third quarter 2014; All numbers in thousands except per share and percentage figures; Forward In-place NOI is 3Q14 annualized and assumes 4% forward NOI growth, includes a 2.4% property management fee and deducts $250 of maintenance capex per unit; "Development Value Creation" calculated by assuming a 6.4% average

Notes (cont'd): stabilized yield on $415 million of development spend, a 4.5% market cap rate and discounting the development profit to current dollars; Next 12 months cash generation assumed to be $70 million

AEC Fair Value of $37 with L&B Board Nominees



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AEC Apartments Merit a 5.7% Cap Rate

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- **AEC apartment portfolio is Class A quality and warrants a 5.7% cap rate**
  - L&B believes investors currently misunderstand the high quality and diverse geographic make-up of AEC's portfolio and therefore are not valuing it correctly in the public markets

Portfolio Breakdown						
Market	**Units**	**% of NOI**	**Avg. Rent**	**Age**	**Grade**	**Cap Rate**
Virginia	2,136	21.2%	$1,510	8	B+	5.5%
Southeast Florida	1,594	14.2%	$1,470	16	A-	5.3%
Michigan	2,216	13.4%	$1,030	21	A-	7.0%
Cleveland	1,303	10.0%	$1,250	19	A	6.4%
Raleigh-Durham	1,109	9.3%	$1,211	7	A+	4.8%
Columbus	1,581	9.3%	$1,040	23	A	6.4%
Dallas	1,093	7.6%	$1,206	10	A	5.3%
Indianapolis	836	4.8%	$981	18	A	6.4%
Metro DC	250	3.5%	$2,134	6	A-	4.6%
Charlotte	562	4.4%	n/a	n/a	B+	5.8%
Atlanta	354	2.3%	$1,186	22	B+	5.3%
Total	**13,034**	**100%**	**$1,238**	**16**	**A/A-**	**5.7%**

Source: Land and Buildings estimates, Bloomberg, Company reports
Notes: All AEC asset cap rates and grades are Land and Buildings estimates; Occupancy, Monthly Property Revenue Per Occupied Unit ("Avg. Rent") and Average Age ("Age") are based on same community disclosures as of third quarter 2014

CBRE: Class A Apartment Cap Rates Rarely Exceed 6% Range

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- **CBRE private market cap rate transaction data from 1H14 shows a low cap rate environment across all regions, including those seen as "non-core" by public investors**
  - Class A suburban multifamily assets across Cleveland, Columbus and Detroit all generally trade in 6's, a fact likely not well understood by public REIT investors
  - Class A suburban multifamily assets across the sunbelt, DC/Virginia and Southeast Florida trade in the 5's and 4's
  - Gables, a TX/sunbelt and DC/VA-focused Class A apartment portfolio, sold for $3.2 billion in early January 2015 for a sub-5% cap rate
  - ***Cap rates have likely compressed by 25bps or more since the first half of 2014 as supported by transactional data and L&B due diligence***
    - On January 23, 2015, Green Street Advisors[1] lowered its apartment cap rates ~25bps and increased apartment NAVs 7%

CBRE Suburban Apartment Cap Rates		AEC NOI
City	**Class A**	**Exposure**
Atlanta	5.00 - 5.50	2.3%
Charlotte	5.00 - 5.25	4.4%
Cleveland	6.75 - 7.00	10.0%
Columbus	6.00 - 6.50	9.3%
Dallas	5.25 - 5.75	7.6%
Detroit	6.75 - 7.50	13.4%
Indianapolis	6.00 - 6.50	4.8%
Miami	4.50 - 5.25	14.2%
Raleigh-Durham	5.00 - 5.25	9.3%
Washington DC/VA	4.75 - 5.75	24.7%
Weighted Average	**5.8%**	**100%**

Source: Land and Buildings estimates, Company reports, Wall Street Research, CBRE Cap Rate Survey First Half 2014
Notes: CBRE cap rate ranges are based on an estimated NOI derived by annualizing the last 90 days of revenue and subtracting buyer's estimated stabilized year-one expenses after adjustments for real estate taxes & reserves.

1. *Green Street Advisors has been an industry leader in real estate and REIT research for over 25 years. Greenwich Associates rated Green Street Advisors #1 in five categories including first place in Best Industry Knowledge and Best Original Research for the last six years in a row.*

AEC Dispositions Highlight Value

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- **AEC dispositions of non-core assets display strong pricing**
  - AEC has disclosed a 5.4% weighted average cap rate on 2014 completed dispositions
  - AEC's public market valuation is wholly inconsistent with the low cap rates AEC is able to achieve on the sales of some its non-core and least desired assets

Disposition Date	Property	Location	Sales Price	Cap Rate
16-Jun-14	Annen Woods	Pikesville, MD	$20,500	5.5%
28-Apr-14	Reflections	Columbia, MD	$38,400	5.7%
2-Apr-14	Vista Germantown	Nashville, TN	$53,250	4.5%
24-Feb-14	Hampton Point	Silver Spings, MD	$60,000	6.0%
Weighted Average year-to-date 2014				**5.4%**

Sources: Land and Buildings estimates, Company reports
Notes: Cap rates as disclosed by AEC; typically the Company discloses a "market" cap rate which defines net operating income as the asset's trailing 12 months performance, assuming a 3% management fee and adjusted for marking to market real estate taxes;

Notes (cont'd): Does not include dispositions under contract as of AEC's third quarter 2014 earnings conference call

AEC Has Historically Traded at an Average 28% Discount to NAV

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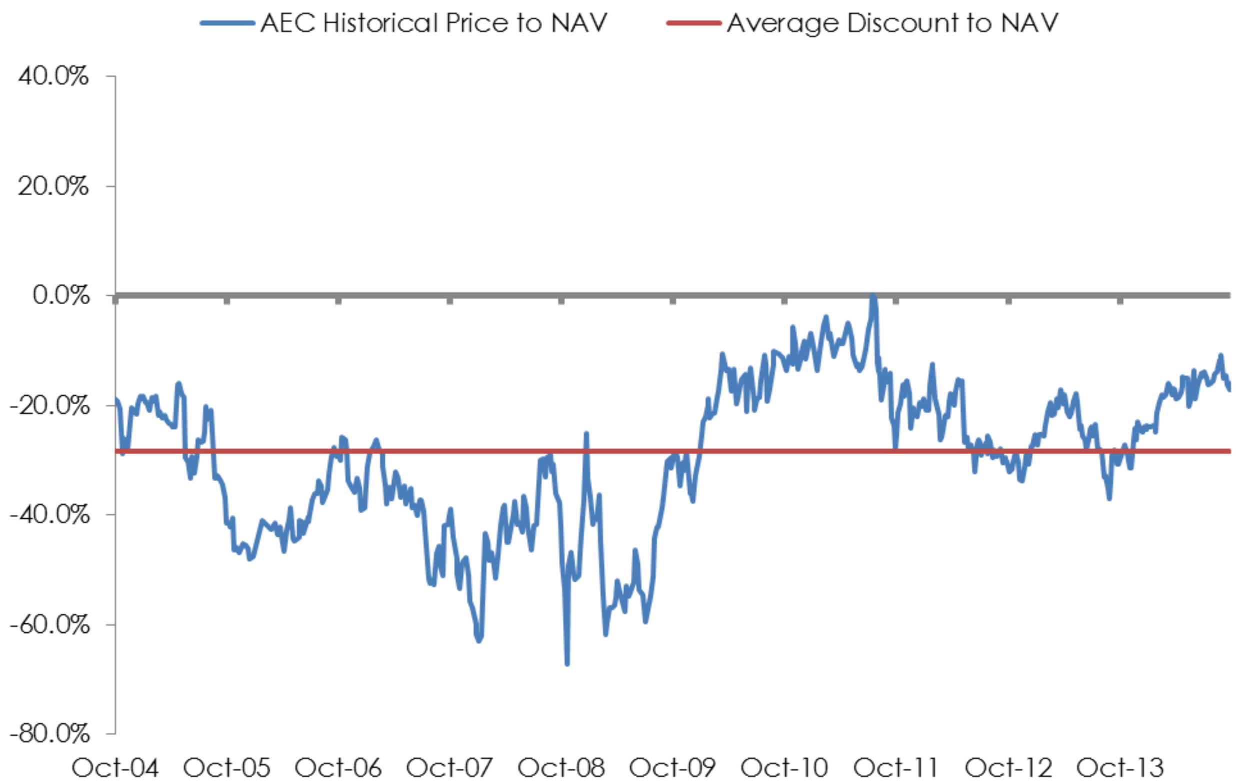
- **AEC has traded at an average 28% discount to NAV over the trailing 10 years according to Green Street Advisors data analyzed by Land and Buildings**
  - For the last decade, it appears investors have voted against management with their feet



Source: Land and Buildings estimates, Green Street Advisors
Notes: Data range is October 8, 2004 through October 3, 2014

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AEC: Persistent Discount to Proxy Peers

- **AEC has consistently traded at a discount to NAV while its proxy peers have traded very close to NAV, according to Green Street Advisors data L&B analyzed**
  - AEC is a clear outlier, trading at the largest discount to NAV among its proxy peers across the trailing 3 and 5 year periods
  - Two other apartment REITs that traded at persistent discounts to NAV over similar time periods, BRE Properties (NYSE: BRE) and Colonial Properties Trust (NYSE: CLP), were both acquired by competitors in the past 18 months

Historical Premium/ (Discount) to NAV	AEC	Proxy Peers	Average Discount to Proxy Peers
Trailing 5 Years	**-20%**	3%	**-23%**
Trailing 3 Years	**-23%**	-3%	**-19%**

Notes: Trailing 5 years defined as October 9, 2009 – October 3, 2014, trailing 3 years defined as October 3, 2011 – October 3, 2014; Trailing 10 years not shown given incomplete data set for proxy peers

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AEC Apartment Markets: Good Growth with Less Volatility

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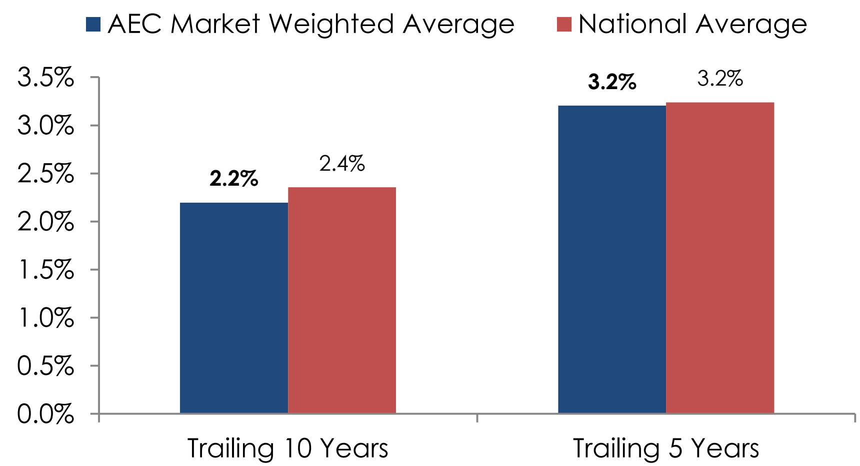
- **Low cap rates in AEC markets justified by attractive risk-adjusted growth profile**
  - AEC's markets, on a weighted average basis, have achieved similar annual rental growth (+2.2%) as the national average (+2.4%) over the last 10 years with over 20% less volatility
  - Cleveland and Columbus, two of AEC's least favored markets by public investors, have exhibited roughly half the volatility in rental growth as the national average while averaging over 2% annual rental growth the past decade, justifying low cap rates
  - In 2009, AEC's markets, on a weighted average basis, only endured two-thirds of the rental growth decline the national apartment market suffered

Effective Annualized Rental Growth



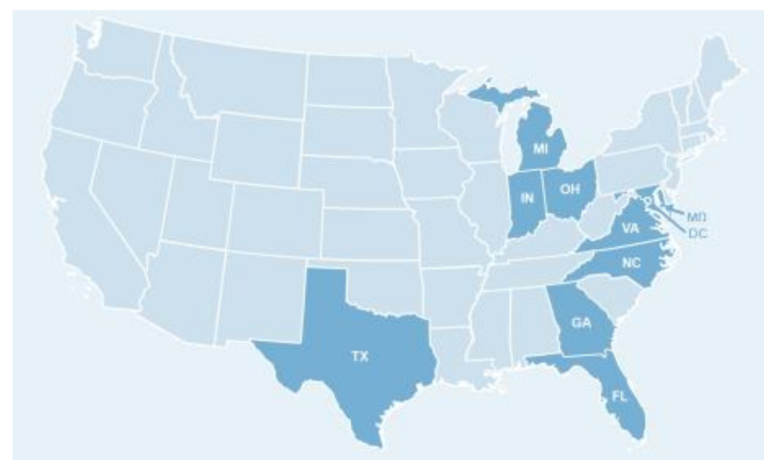


Image: AEC September 2014 Investor Presentation
Sources: Axiometrics, Land and Buildings, Company reports
Notes: Weighted average effective annualized rental growth for AEC's markets based on NOI exposures for in-place portfolio as shown on slide 5; Data is through year-end 2014

AEC Apartments Are Class A Quality, High Rent and Amongst the Best in Their Submarkets

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It's a Submarket Story

Region	Units	Market Rent Q2 '14	AEC Net Rent[1] Q2 '14	AEC Variance to Market
Indianapolis	836	$845	$919	8.8%
Michigan	2,216	-	$1,010	-
Central Ohio	1,581	$906	$978	7.9%
Northeast Ohio	1,303	$957	$1,144	19.6%
TOTAL MIDWEST	**5,936**	**$910**	**$1,023**	**12.4%**
Metro DC	250	$1,918	$2,051	7.0%
Charlotte[2]	562	$1,059	$1,253	18.3%
Raleigh-Durham	1,109	$935[3]	$1,220	30.4%
Northern Virginia	1,272	$1,598[3]	$1,579	-1.2%
Southeast Virginia	864	$1,014[3]	$1,190	17.3%
TOTAL MID-ATLANTIC	**4,057**	**$1,237**	**$1,382**	**11.7%**
Southeast Florida	1,594	$1,575[3]	$1,531	-2.8%
Atlanta	354	$1,079	$1,127	4.4%
TOTAL SOUTHEAST	**1,948**	**$1,485**	**$1,457**	**-1.9%**
Dallas	1,093	$1,111	$1,356	22.0%
TOTAL SOUTHWEST	**1,093**	**$1,111**	**$1,356**	**22.0%**
TOTAL PORTFOLIO	**13,034**	**$1,157**	**$1,269**	**9.7%**

Source: Company financials, Axiometrics.
Note: Market rent is a blend of Class A & Class B MSA rents as reported by Axiometrics. Michigan assets included in unit count, however, relevant MSA data not available. AEC Net Rent excludes properties currently marketed for sale.
(1) Net Rent is gross potential rent less allowances divided by total units.
(2) Includes pro forma Net Rent for recently acquired properties.
(3) Raleigh-Durham is a weighted blend of the Raleigh MSA and Durham MSA. Northern Virginia is a weighted blend of Loudon County and Prince William County. Southeast Virginia is a weighted blend of Richmond and Norfolk. Southeast Florida is a weighted blend of Miami, Fort Lauderdale and West Palm Beach.

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AEC Apartment Markets Projected to See Accelerating Rental Growth

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- **Axiometrics forecasts AEC's apartment markets will see accelerating rental growth, averaging 3.1% annual growth from 2015 – 2017, well above the trailing 10 year average of 2.2%**

Projected Market Rent Growth

Market	% of Portfolio (by NOI)	2015	2016	2017	3-Year Average
Washington DC/Virginia	24.7%	1.9%	2.9%	4.5%	3.1%
Southeast Florida	14.2%	3.1%	3.1%	4.5%	3.6%
Michigan	13.4%	2.4%	1.8%	2.5%	2.3%
Cleveland	10.0%	2.1%	2.9%	3.5%	2.8%
Raleigh-Durham	9.3%	3.3%	3.6%	3.6%	3.5%
Columbus	9.3%	2.5%	3.0%	3.7%	3.1%
Dallas	7.6%	3.9%	3.2%	4.4%	3.8%
Indianapolis	4.8%	2.0%	2.9%	3.1%	2.7%
Charlotte	4.4%	3.2%	3.0%	3.9%	3.4%
Atlanta	2.3%	4.5%	3.2%	3.2%	3.7%
Portfolio Weighted Average		**2.6%**	**2.9%**	**3.9%**	**3.1%**

Source: Land and Buildings estimates, Axiometrics

Please email questions and comments to:
AEC-REALCHANGE@landandbuildings.com

National Apartment Rents are Surging, Likely Causing Growth Forecasts to Rise

LANDandBUILDINGS

- **National annual effective rent growth in December 2014 reached 4.9%, the strongest of 2014 and the highest since August 2011 – 41 months ago – when the rate was 5.0%**
  - **Bucking normal seasonality:** December was a 21bps increase from November's 4.7%, which is notable because the end of the year is usually when rental growth begins to decelerate

 Source: Axiometrics

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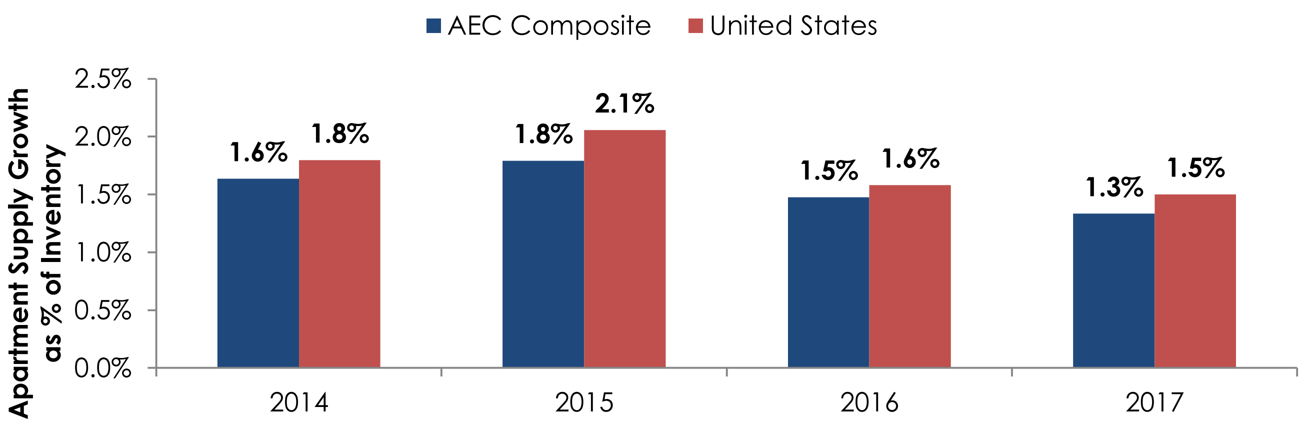
AEC-REALCHANGE@landandbuildings.com

Apartment Supply Growth in AEC Markets Below National Average

LANDandBUILDINGS

- **Apartment supply growth in AEC markets meaningfully below United States average**
  - › AEC markets are forecasted to experience10% less annual multifamily supply growth as a percent of existing stock than the national average
  - › Supply growth is anticipated to peak in 2015, leading to a likely acceleration in market rent growth

Apartment Supply Growth as % of Inventory					
Market	**2014**	**2015**	**2016**	**2017**	**AEC % of NOI**
District of Columbia	0.7%	0.7%	0.7%	0.7%	24.7%
Miami	0.8%	2.8%	3.3%	2.2%	14.2%
Detroit	0.1%	0.2%	0.6%	0.8%	13.4%
Cleveland	1.7%	1.7%	1.7%	1.7%	10.0%
Raleigh-Durham	5.7%	3.9%	2.3%	2.4%	9.3%
Columbus	0.9%	0.9%	0.9%	0.9%	9.3%
Dallas	3.1%	3.1%	1.6%	1.2%	7.6%
Indianapolis	1.6%	1.6%	0.9%	1.3%	4.8%
Charlotte	4.6%	5.4%	2.1%	2.1%	4.4%
Atlanta	1.5%	2.0%	1.9%	1.6%	2.3%
AEC Composite	**1.6%**	**1.8%**	**1.5%**	**1.3%**	**100.0%**
United States	1.8%	2.1%	1.6%	1.5%	

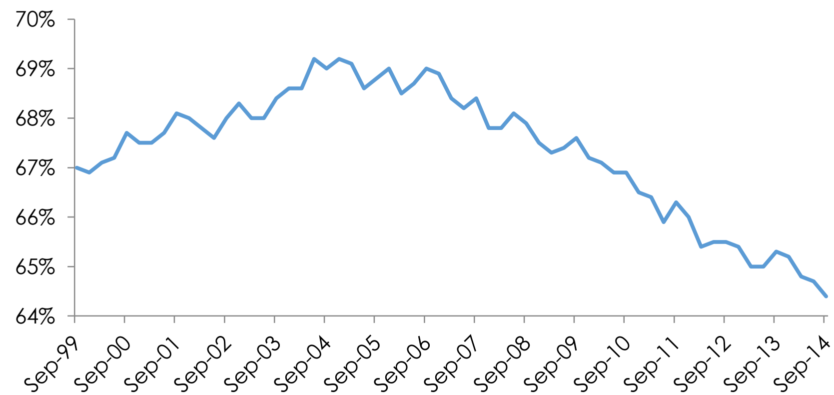


"Renter Nation" to Benefit Apartment Owners

LAND and BUILDINGS

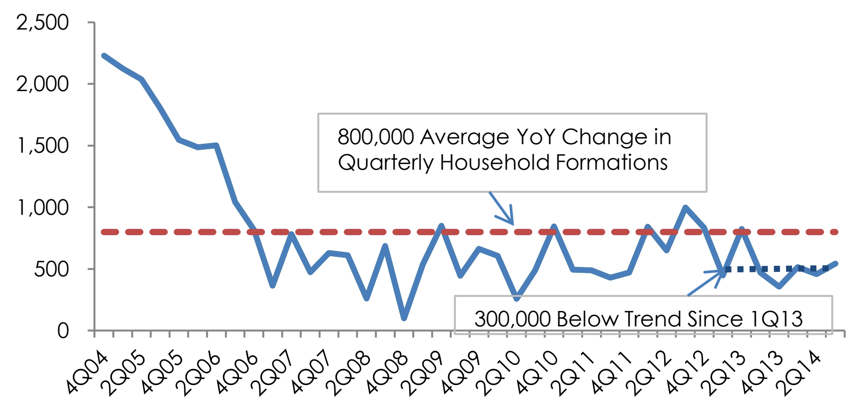
- **Low homeownership rates appear structural as well as cyclical as renter lifestyle is preferred by younger generations**
  - › Renting can allow for greater freedom of movement and the ability to live in locations with better amenities and social/cultural opportunities

Homeownership Rate Continues to Decline



- **Apartments likely to benefit disproportionately from an increase in the number of households as younger cohorts drive the growth**
  - › The average year-over-year increase in household formations is 800,000 over the trailing 10 years versus the 500,000 growth experienced since the first quarter of 2013

Household Formation Growth Poised to Spike



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Housing Shortage of ~750,000 Annually

LANDandBUILDINGS

- **Harvard estimates demand for 1.6 - 1.9 million homes annually between 2015-2025[1]**
- **Shortfall of ~750,000 homes annually at current pace of housing starts**
- **Apartment shortfall: multifamily starts at ~350,000 annually are 30% below necessary 500,000[2] units**

Harvard University Study of Components of New Home Demand 2015 - 2025		
Thousands ('000)	**Low Immigration Projection**	**High Immigration Projection**
Projected Household Growth	11,620	13,200
Increase in Structural Vacancy	1,440	1,627
Projected Total Estimated Net Removals	3,250	3,250
Projected Total Demand for New Units	**16,442**	**18,702**
Average Annual New Home Demand	**1,644**	**1,870**
Current Pace of Annual New Home Construction[3]	990	990
Current Pace of Annual Underbuilding[4]	**(654)**	**(880)**

Source: Land and Buildings estimates, U.S. Census Bureau, Joint Center for Housing Studies at Harvard University 2009 and 2014 reports

1. *Joint Center for Housing Studies of Harvard University*
2. *Based on historical ratio of 29% of multifamily (for rent and for sale) starts relative to total housing starts from 1965 through 2014*
3. *US Census figure for 2014 through November*
4. *Land and Buildings estimate combining Harvard projections and US Census figures*

IV. Destroyed Value, Credibility and Trust – History of Poor Capital Allocation

Please email questions and comments to:
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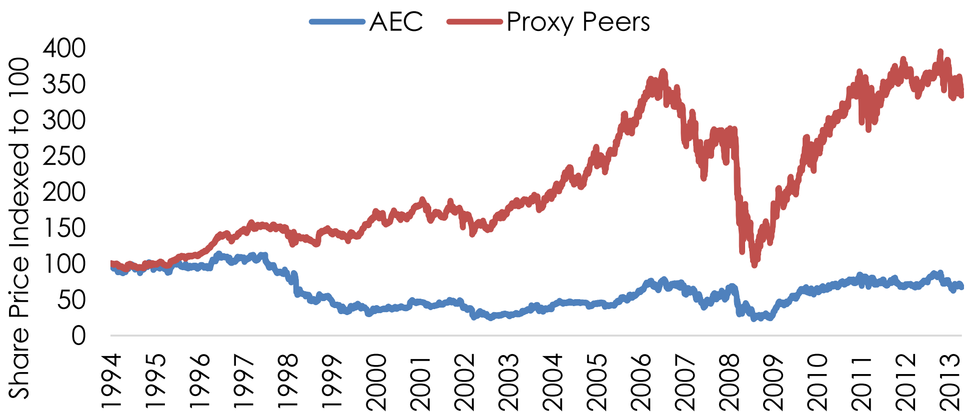
AEC: 20 Years of Material Share Underperformance

LANDandBUILDINGS

- **AEC's share returns are significantly below proxy peers**
  - Over the past 20 years AEC's total return including dividends has lagged proxy peers by nearly 700% and its share price return has lagged proxy peers by over 250%[1]
  - AEC shares prior to investor activism were 33% below its November 1993 IPO price of $22[2]

Share Price Returns

	Trailing 20 Years	Since Investor Activism
Associated Estates	**-32%**	**71%**
AEC Underperformance vs. Proxy Peer Average	**-256%**	**29%**

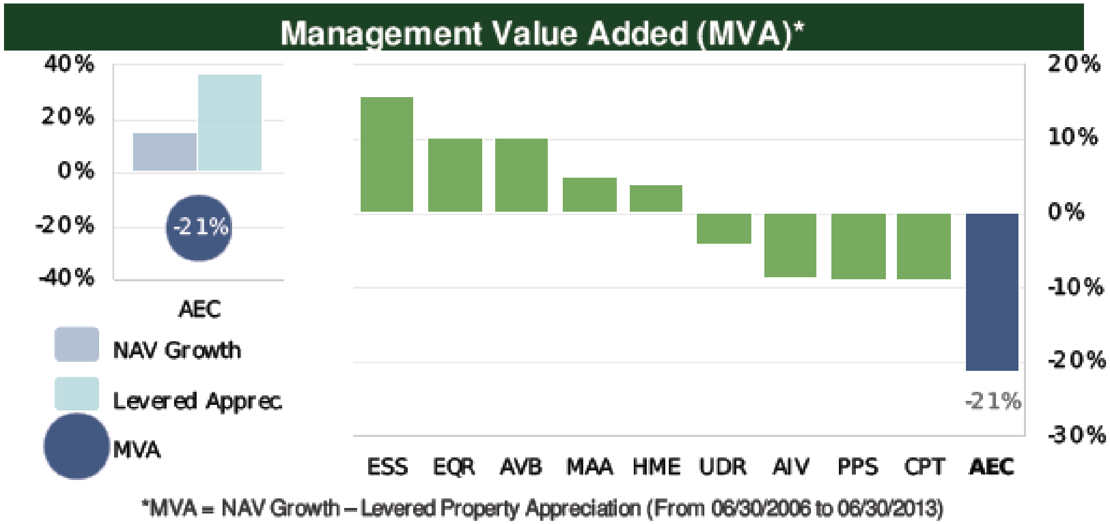


- **Dividend per share has been slashed by over 50% since 1995**
  - AEC's dividend per share has declined by 54% since 1995, while peers saw their dividends per share more than triple[3]

Source: Land and Buildings estimates, Company reports, Bloomberg
Notes: "Since investor activism" share price returns through 01/23/15
1. *Trailing 20 years defined as July 29, 1994 – November 14, 2013 to reflect a start date to capture the completion of several proxy peer IPOs*
2. *Defined as share price of $14.65 on November 14th, 2013, the last closing price prior to Kohlberg Kravis Roberts & Co's ("KKR") initial stake disclosure*
3. *Dividends per share paid in 1995 compared to dividends per share paid in 2014*

Negative “Management Value Added” Score Highlights Poor Capital Allocation

- **AEC is the lowest scoring apartment REIT in Green Street Advisors’ “Management Value Added” metric over the last 7 years**[1]
  - From June 2006 through June 2013, AEC’s NAV growth underperformed the levered appreciation of the company’s properties by 2,100bps based on Green Street Advisors’ analysis, which we believe highlights the Company’s poor capital allocation history



  - ***“CEOs…must make capital allocation decisions, a critical job that they may have never tackled and that is not easily mastered…The lack of skill that many CEOs have at capital allocation is no small matter: After ten years on the job, a CEO whose company annually retains earnings equal to 10% of net worth will have been responsible for the deployment of more than 60% of all the capital at work in the business. ”***
    - Warren Buffett, Letter To the Shareholders of Berkshire Hathaway Inc., February 1988

Notes: 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.

1. *Green Street Advisors October 2014 research note, “AEC Company Update”*

Destroying Value and Credibility: Five Equity Offerings at Large Discounts to NAV

LANDandBUILDINGS

- **AEC has issued large blocks of new common equity five times since January 2010**
  - AEC issued over $450 million of equity at a 22% average discount to Green Street's AEC NAV
  - These issuances were highly dilutive to the net real estate value of the company

Equity Issuance Date	Shares Issued (000's)	Issuance Price	Discount to NAV
January 12, 2010	5,175	$11.10	-31%
May 6, 2010	9,200	$13.00	-15%
September 28, 2010	9,200	$13.60	-15%
June 22, 2012	6,325	$14.40	-33%
May 29, 2013	7,048	$17.25	-23%
Weighted Average Discount to NAV			**-22%**

- **After 3 value-destroying equity raises in 2010, the CEO stated AEC would not issue more equity until the stock traded closer to NAV and then issued equity in 2012 and 2013 at steep discounts to NAV**
  - ***"We don't need to issue equity and we won't until our stock price is more reflective of NAV."***
    - Chief Executive Officer and Chairman of Associated Estates, Fourth Quarter 2010 Earnings Conference Call

Image: http://www.flickr.com/photos/purpleslog/3040508093/in/photostream/
Notes: Discounts to net asset value estimated by Land and Buildings through analysis of data provided by Green Street Advisors

Destroying Trust: May 2013 Equity Issuance Raises Serious Questions

LANDandBUILDINGS

- **AEC lowered growth and earnings guidance less than 2 months after issuing forward equity**
  - › On May 29, 2013, AEC issued over 7 million shares of forward common equity in a secondary offering and raised over $120 million that would be settled no later than October 1, 2013
  - › Less than two months later in AEC's July 23, 2013 second quarter earnings release, AEC lowered guidance for numerous growth measures
    - – 2013 same community revenue growth guidance was reduced from 4.0% – 5.0% to 3.25% – 3.75%
    - – 2013 same community NOI growth guidance was reduced from 5.25% – 6.25% to 4.75% – 5.25%
    - – 2013 FFO per share guidance was reduced by 2.3% at the midpoint
  - › The market and those participating in the equity offering were likely unaware of any deteriorating AEC fundamentals at the time of the forward equity raise
  - › "So you raised equity on a forward basis rather than doing a spot deal for proceeds to be used to pay down debt. That was coming due later in the year, right? It was a little bit odd, I would say, at least to do that. And then taking to the fact that your fundamentals are weaker than expected and you sort of have inkling of that in late May, clearly the Street and your stock is underperforming and is down a lot. When you sort of put those two together, then one can be very skeptical of how things have transpired."
    - – Michael Bilerman, Managing Director of Real Estate and Lodging Research at Citi, Second Quarter 2013 Earnings Conference Call

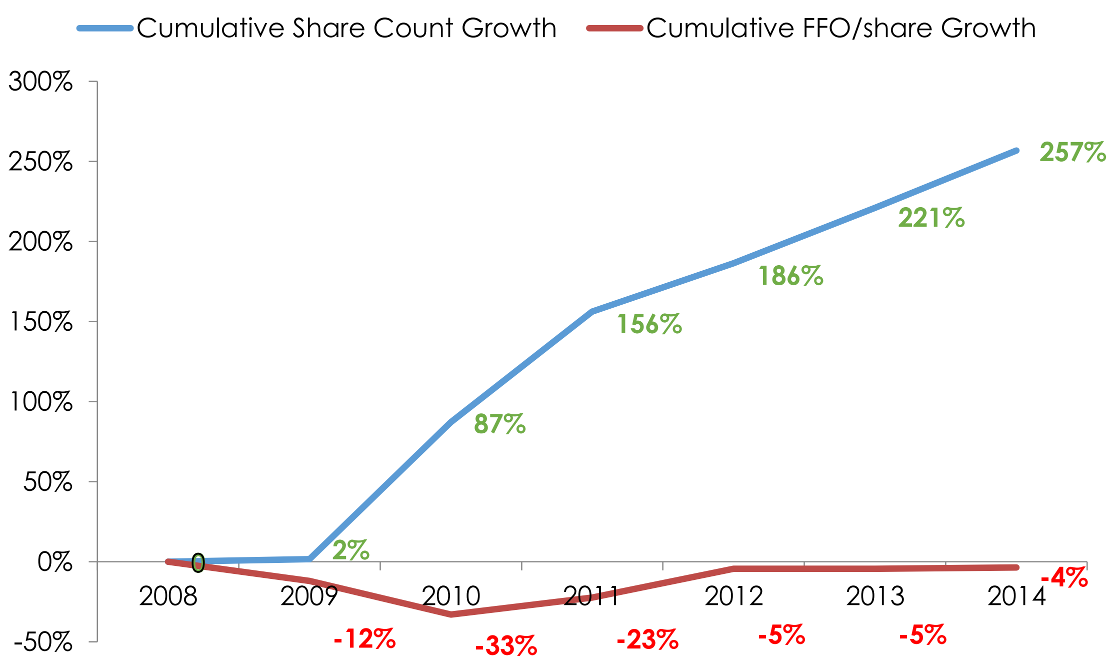
 Source: Land and Buildings, Company reports, Bloomberg

Please email questions and comments to:
AEC-REALCHANGE@landandbuildings.com

AEC: Five Equity Offerings and No Earnings Growth

LANDandBUILDINGS

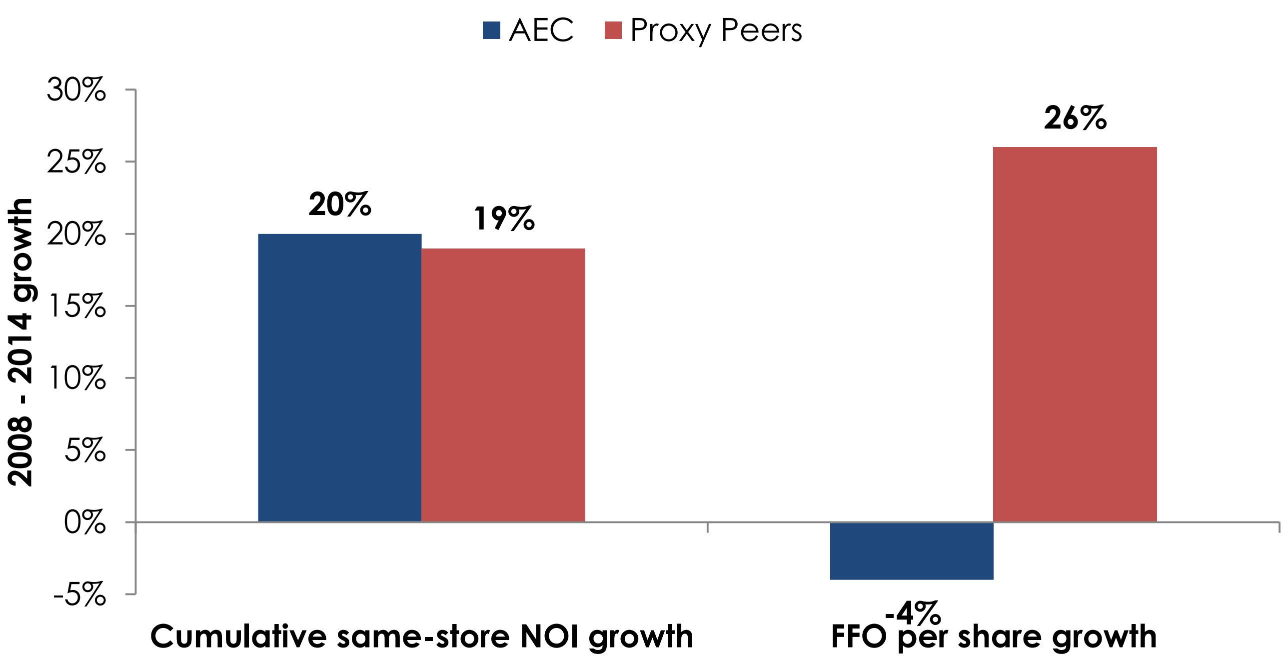
- **AEC's share count growth has far outpaced its earnings per share growth**
  - Since 2008, AEC's weighted average diluted share count has grown 257% while the company's FFO (funds from operations) per share growth is -4%, a stark contrast



Source: Land and Buildings estimates, Company reports, Bloomberg
Notes: Weighted average diluted AEC shares for 2014 are through third quarter 2014; FFO per share adjusted for known non-core items; 2014 FFO per share represents midpoint of AEC company guidance

AEC: NOI Growth NOT Translating to Cash Flow Growth

- **Poor capital allocation decisions have deprived shareholders of cash flow growth**
  - Despite comparable same-store NOI growth as peers since 2008, dilutive equity raises, disproportionally high G&A costs and, in our view, other management missteps actually caused FFO per share to decline



Source: Land and Buildings estimates, Company reports, Bloomberg
Notes: Same-store NOI growth is through third quarter 2014; FFO per share growth is through midpoint of 2014 company guidance

Paying Full Price in the Private Market When AEC's Own Portfolio Is On Sale

LANDandBUILDINGS

- **Poor capital allocation: Why was AEC buying 5.5% cap rate apartment assets in the private market when AEC stock was trading at an 8%+ implied cap rate?**
  - On September 23, 2013, AEC announced it had entered into a definitive purchase agreement with respect to a seven-asset $324 million portfolio of Class-A apartment communities located in the Southeast and Mid-Atlantic at a blended nominal cap rate of 5.5% on year one stabilized net operating income
  - Concurrently, AEC announced it would fund the acquisition with property dispositions
  - Buying back stock with disposition proceeds would have created significant value for shareholders
    - If AEC had sold $300 million of assets and repurchased $150 million worth of stock at the $15 share price the stock traded at the time of the announcement, the buybacks would have been nearly 10% accretive to NAV

Image: http://becuo.com/retail-sale-signs
Source: Land and Buildings estimates, Company reports

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AEC: Large Development Pipeline Weighing on Shares

LANDandBUILDINGS

- **Investors likely skeptical of AEC development value creation**
  - AEC currently carries a development pipeline requiring ~$400 million of spend or ~20% of enterprise value, the largest of AEC's proxy peer group
  - Over 50% of the development pipeline by cost is in California, a high-barrier to entry, low cap rate market that AEC has no current exposure to
    - The CEO has stated[1] the company would like 20% exposure to California, indicating west coast investment is likely to continue
  - A history of perceived poor capital allocation is likely amplifying investor worries surrounding successful execution
  - Potential management missteps, including rising construction costs, are likely to be masked by continued robust market rent growth in coastal California

Status of Current Development Pipeline

Current Development	Units	Submarket	General Contractor (GMP)	Estimated Delivery of First Units	Estimated Construction Complete	Estimated Stabilized Operations
Cantabria at Turtle Creek Dallas, TX	249	Turtle Creek	Andres Construction	Q3 2014[(1)]	Q1 2015	Q2 2015
7001 Arlington at Bethesda Bethesda, MD	140	Bethesda Row	Walsh Construction	Q4 2014	Q2 2015	Q3 2015
Desmond on Wilshire Los Angeles, CA	175	Mid-Wilshire	White Residential	Q3 2015	Q4 2015	Q1 2016
350 8th (50/50 JV) San Francisco, CA	410[(2)]	SoMa	Roberts Obayashi	Q4 2015	Q4 2016	Q1 2017
950 East Third (50/50 JV) Los Angeles, CA	472[(2)]	Arts District	TBD	Q3 2016	Q1 2017	Q4 2017

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Image: Associated Estates September 2014 Investor Presentation
Source: Company reports
1. *Associated Estates second quarter 2013 earnings conference call*

V. Worst of Both Worlds – High G&A and Low Performance Creates Opportunity

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AEC: Outsized G&A and Excessive Compensation Relative to Peers

LANDandBUILDINGS

- **AEC's general and administrative expenses (G&A), including executive compensation, are outsized relative to peers on a variety of measures**
  - AEC's G&A as a percent of revenue is nearly 11% vs. the proxy peer average of 4%
    - All nine of AEC's proxy peers were below 6% on this measure, showing AEC is a clear outlier
  - AEC's G&A relative to enterprise value is ~3 times higher than proxy peers (1.1% vs. 0.4%)
  - Executive compensation is a significant driver of the heavy G&A load, as AEC's top 5 executives are paid nearly 5% of revenue vs. 1.4% for peers and CEO compensation is more than 4 times larger than peers as a percent of revenue (2.1% vs. 0.5%) and 50% higher than similarly sized REITs on average across all sectors[1]
    - All nine of AEC's proxy peer's top 5 executive compensation as a percent of revenue were less than half of AEC
    - All nine of AEC's proxy peer CEOs were paid below 1% of company revenue; AEC's CEO was highly compensated at $3.8 million in 2013 given the size of his company and the substantial and sustained discount to NAV the company trades at

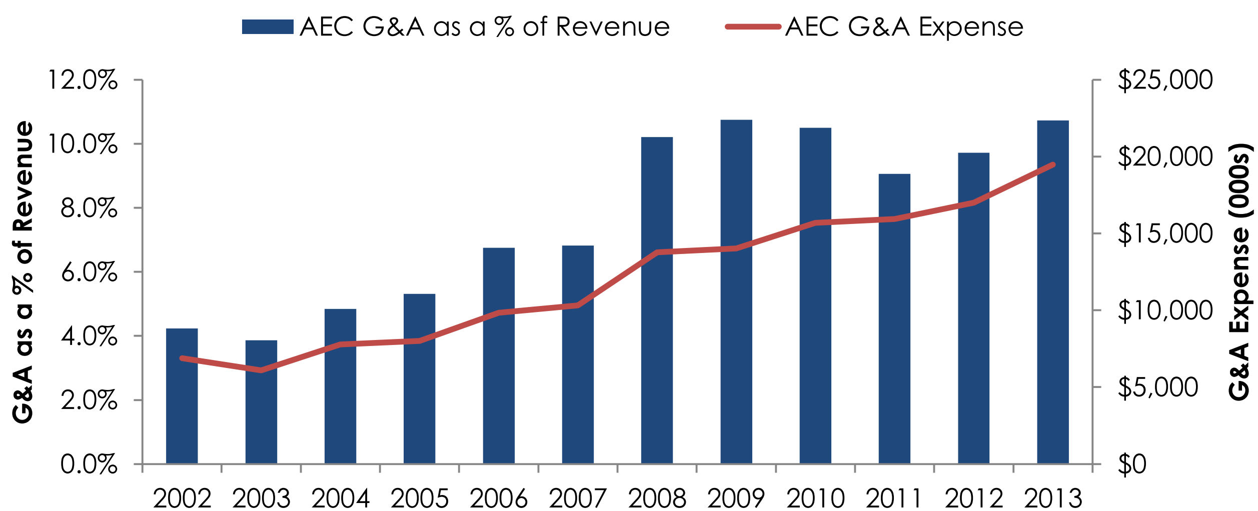
Company	G&A as a % of Revenue[1]	G&A as a % of Enterprise Value[2]	Top 5 Executive Comp as a % of Revenue[3]	CEO Compensation as a % of Revenue[4]
Associated Estates (AEC)	10.7%	1.1%	4.9%	2.1%
Proxy Peers	4.0%	0.4%	1.4%	0.5%
AEC Underperformance vs. Peers	**-6.7%**	**-0.7%**	**-3.5%**	**-1.6%**

Source: Company reports, Bloomberg
Notes: Data based on 2013 results and compensation; Enterprise value data as of December 31, 2013; "Revenue" is total company revenue

1. *Similarly sized REITs defined as those US REITs between $1.5 to $2.5 billion in enterprise value as of December 31, 2013*

AEC G&A Has Grown Significantly

- **G&A expenses continue to grow, potentially benefiting management at the expense of shareholders despite statements by management that AEC will become more efficient**
  - ***"Well, as it relates to G&A, we believe we operate very thin in that G&A as a percentage of our property revenue will come down as we grow."***
    - Chief Financial Officer of Associated Estates, Second Quarter 2011 Earnings Conference Call
  - ***"The way we look at G&A is that we believe the overall investment is necessary to do all the things that we want to do and we really think it's a function of scale. And so the way we bring that 11% down is by growing the top line property revenue, not only from our same-store portfolio but from any acquisitions that we're able to do here in 2010 and going forward."***
    - Chief Financial Officer of Associated Estates, First Quarter 2010 Earnings Conference Call



Source: Land and Buildings estimates, Company reports, Bloomberg

Notes: "Revenue" is total company revenue

Please email questions and comments to:
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AEC G&A Expense Ratios Continued to Grow While Peer Ratios Improved

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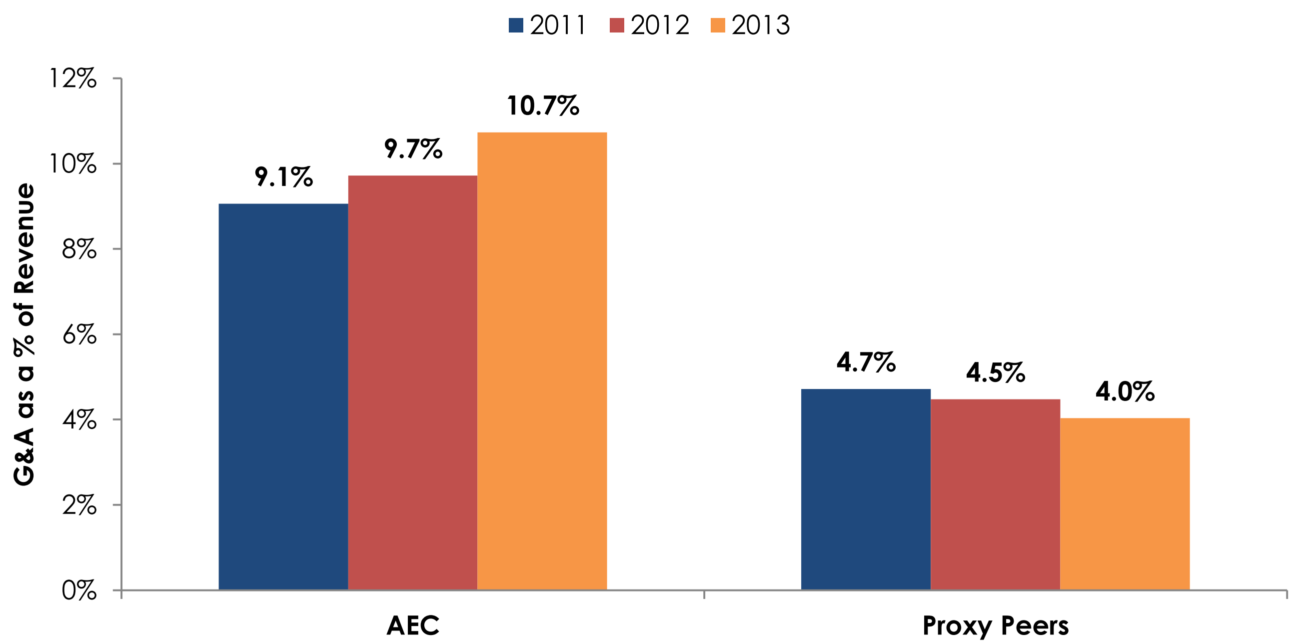
- **AEC G&A expense as a percent of revenue has kept growing while peers have become more efficient**



Source: Company reports, Bloomberg
Notes: "Revenue" is total company revenue

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AEC Management Consistently Missing Own Expectations

LANDandBUILDINGS

- **As apartment fundamentals soared since 2009, AEC still frequently lowered guidance and missed expectations**
  - The past six years, AEC actual annual FFO/share has missed initial guidance by **-0.9%** on average
  - Annual FFO per share results have only beat initial guidance in one of the past six years
  - Over the same time period, AEC's public apartment peers were routinely beating and raising guidance as multifamily fundamentals were generally much stronger than initial expectations
  - 2014 was a "miss and lower" year as funds from operations ("FFO") per share and core same-store growth guidance were both lowered despite year-to-date national apartment rental growth being stronger than in any other post-recession year; AEC once again missed consensus FFO expectations in the third quarter of 2014

Fiscal Year	Intial FFO per share Guidance Midpoint	Actual FFO per share	% (Below)/Above Guidance
2014	$1.29	$1.28	-0.8%
2013	$1.31	$1.27	-3.1%
2012	$1.25	$1.27	1.6%
2011	$1.04	$1.03	-1.0%
2010	$0.89	$0.89	0.0%
2009	$1.20	$1.17	-2.5%
	Average Guidance Miss		**-0.9%**

Source: Land and Buildings estimates, Company reports, Axiometrics, Bloomberg
Notes: FFO per share adjusted for known non-core items; 2014 FFO per share represents midpoint of AEC company guidance

AEC Mismanaged LRO Revenue Management Implementation

LANDandBUILDINGS

- **AEC saw no visible "pop" from LRO revenue management rollout**
  - › According to Rainmaker, owner of LRO, apartment operators typically experience 400 – 700bps of additional revenue growth in the initial 24 months following a completed implementation
    - – For example, Post Properties (NYSE: PPS), a high quality sunbelt focused apartment REIT, saw an immediate additional 200bps in revenue growth solely from LRO implementation
      - o "Pricing was on our competitor's radar so it needed to be on our radar," explains Post vice president of IT Janet Ham. "We had immediate revenue lift of 2% driving Post to deploy portfolio wide…"[1]
  - › AEC appears to manage LRO in-house without the use of an expert, a similar mistake as BRE Properties

- **Not only was implementation lackluster, it was also unjustifiably late**
  - › AEC finished the roll out of LRO revenue management in the first quarter of 2012[2], years after most other public apartment REITs

- **Archstone-Smith pioneered the LRO revenue management system**

LANDandBUILDINGS

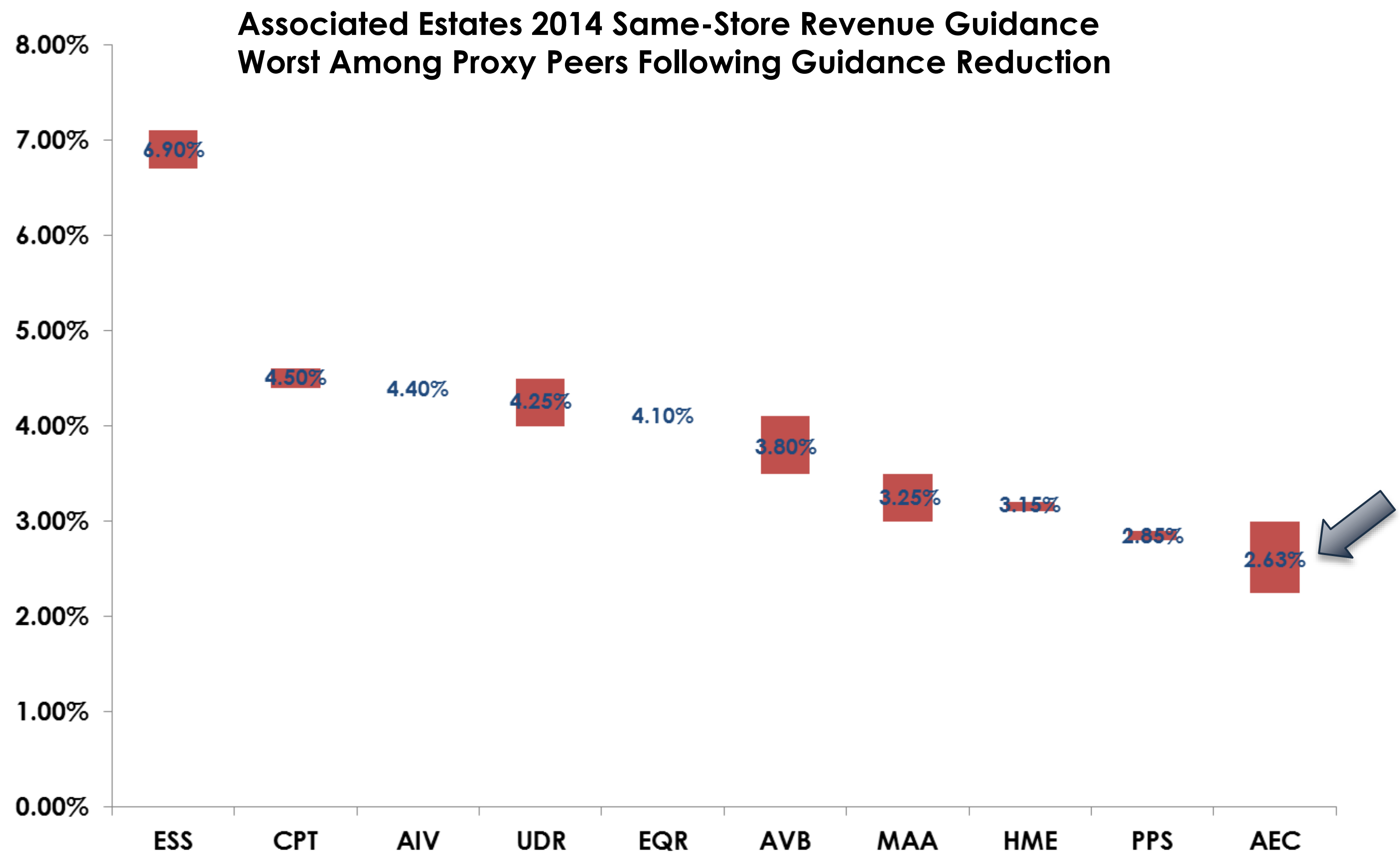
Source: Company reports, Rainmaker

1. *http://www.letitrain.com/multifamily-housing-product-suite/case-studies/post-properties*
2. *AEC first quarter 2012 earnings conference call, April 25, 2012*

AEC: On Pace to Deliver the Worst Revenue Growth of Peers in 2014

LANDandBUILDINGS

- **Not only has management consistently missed own growth expectations, AEC is now on pace to deliver the worst same-store revenue growth of their proxy peers**



Source: Company reports, Bloomberg
Notes: Data based on 2014 Company proxy peer guidance as of third quarter 2014 earnings releases; bar represents guidance range for each company and the midpoint is provided

AEC: Already Lowered Expectations for 2015

LAND and BUILDINGS

- **AEC appears to be laying the groundwork for an underwhelming 2015**
  - 2014 initial same-store revenue growth guidance was 3.25% at the midpoint
  - 2Q14 earnings Conference Call: "…we would expect 2015 revenue particularly to be **better than 2014**"
    - – Chief Executive Officer and Chairman of Associated Estates
  - 3Q14 Earnings Conference Call: "…we would expect a revenue growth to **equal or exceed the revenue growth from 2014**…those of us with exposure in less dynamic markets or even in markets like the Mid-Atlantic, we would be impacted somewhat...So if I had to give a big range that would probably – **at the midpoint of that range would probably be 3% or better**."
    - – Chief Executive Officer and Chairman of Associated Estates

Source: Company reports. Bloomberg

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VI. Real Opportunity to Become Best in Class REIT

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REITs Particularly Well Suited for Change

- **REITs generally own a collection of homogeneous and “hard” assets, allowing for a unique set of circumstances**
  - Significant recurring revenue means little to no operational disruption should occur when board or management turnover occurs
  - All or a portion of a REIT’s assets can be acquired or merged into another real estate company with significant synergies (e.g. reduced G&A expense) and without the large integration costs and complications normally associated with M&A in operational companies with intangible assets
- **Value and relative underperformance can be easily identified**
  - Real estate has a large and liquid private transaction market allowing investors to readily identify dislocations between private and public market valuations
  - REITs’ relative ability to maximize property-level net operating income growth can be directly measured against peers
  - REITs’ ability to drive net asset value per share growth can be directly measured against the appreciation in the private market of asset values
  - REIT capital allocation decisions drive a significant percentage of the differences in premiums/discounts relative to NAV per share and stock price performance over time

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Land and Buildings AEC Board Nominees

- **Land and Buildings proposes to make AEC's Board stronger**
  - Land and Buildings has nominated seven independent, highly-experienced, high integrity individuals who want to take a fresh look at the best ways to create value for stockholders at AEC
  - These nominees bring a track record of operational excellence, capital allocation expertise, shareholder value maximization and/or investment expertise across the apartment REIT, broader REIT and corporate universe
  - Land and Buildings' nominees intend to restore shareholder trust, earn back credibility and create significant value for stakeholders
  - Land and Buildings believes that a vote for AEC's directors is a vote for the status quo – <u>the status quo may be best for the entrenched Board and management, but in our opinion is unacceptable for stockholders</u>

Please email questions and comments to:
AEC-REALCHANGE@landandbuildings.com

- **<u>Land and Buildings AEC Board Nominees</u>**
  - **Marcus E. Bromley** – Former public multifamily REIT CEO and Chairman at Gables Residential Trust
  - **Michael J. DeMarco** – Former investment banker and public office REIT executive at Vornado Realty Trust (NYSE: VNO)
  - **Charles M. Elson** – Professor and leading authority on corporate governance
  - **Dana K. Hamilton** – Former public multifamily REIT EVP of Operations at Archstone-Smith Trust
  - **Gregory F. Hughes** – Former public REIT CFO at SL Green (NYSE: SLG) with experience across numerous real estate sectors
  - **Jonathan Litt** – Founder/CIO of Land and Buildings and former top-ranked sell-side REIT analyst
  - **R. Scot Sellers** – Former public multifamily REIT CEO and CIO at Archstone-Smith Trust

Wall Street Reactions to Land and Buildings Nominees Have Been Very Favorable

LANDandBUILDINGS

- **Green Street Advisors Research Note (11/17/14)**
  - "…seven highly-reputable independent directors…Scot Sellers' presence is noteworthy as he is regarded as one of the top apartment executives in the country."
- **Citigroup Research Note (11/17/14)**
  - "…we do believe L&B's slate would be well received by investors…We are impressed with the proposed Board slate and believe that their public company, operational, capital allocation, and corporate governance experience would benefit AEC shareholders. We believe that the proposed Board would be able to help close the persistent discount to NAV."
- **Sandler O'Neil Research Note (12/10/14)**
  - "We believe AEC shareholders will elect the proposed Board given the candidates are highly qualified and have ample public market and REIT experience. Two of the notable nominees include Scot Sellers (former ASN CEO) and Michael DeMarco (former REIT banker and VNO executive) who are both highly regarded within the REIT world."

Source: Wall Street Research

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Marcus E. Bromley – Former public multifamily REIT CEO and Chairman at Gables Residential Trust

Marc Bromley has over 30 years of experience in the real estate industry ranging from his roles in finance and development in the private sector to his role as CEO and director of large public real estate companies. Mr. Bromley served as CEO and Chairman of the Board of Gables Residential Trust (NYSE: GBP) from its IPO in 1993 to his retirement in 2001. He continued to serve on the $3 billion company's board until its sale in late 2005. Prior to taking Gables public in 1993, Mr. Bromley was a division partner for Trammell Crow Residential. His division was a leading developer of apartment communities in the Southeast from 1982 to 1993. Mr. Bromley served as a Director of three Cole Property Trust companies based in Phoenix, Arizona. Mr. Bromley also serves on the board of directors of The Shoptaw Group (TSG), a multifamily operation based in Atlanta. He is a member of the Advisory Board of Nancy Creek Capital, a private equity firm in Atlanta. In the past, Marc Bromley has served on the Advisory Board for the School of Commerce, Economics and Politics for Washington & Lee University. Mr. Bromley is a 1971 Graduate of Washington & Lee University with a degree in Economics and a 1973 graduate of the University of North Carolina a where he received his MBA degree.

Michael J. DeMarco – Former investment banker and public office REIT executive at Vornado Realty Trust

Michael DeMarco has over 25 years of experience in the real estate industry. He was most recently the Chief Investment Officer of CCRE, a non-bank finance company and one the largest originators of CMBS. Mr. DeMarco was also an Executive Vice President with Vornado Realty Trust from 2010 to 2013. Prior to that Mr. DeMarco was a Partner at Fortress Investment from 2007 to 2010, overseeing on a direct basis a number of real estate operating companies that Fortress acquired. Additionally, he was a senior Managing Director with Lehman Brothers from 1993 to 2007 in the company's real estate investment banking unit specializing in Mergers and acquisitions, structured finance, and initial public offerings. Mr. DeMarco's client list included: Simon Property Group, Vornado Realty Trust, SL Green, Douglas Emment, the Rouse Company and many others. Mr. DeMarco started his career at First Boston as an investment banker in 1987 after graduating from the University of Chicago with an MBA in Finance. Mr. DeMarco graduated from Pace University with BBA in Accounting and a minor in History. He is also a Certified Public Accountant.

Land and Buildings AEC Board Nominees

Charles M. Elson – Professor and leading authority on corporate governance

Charles M. Elson is the Edgar S. Woolard, Jr., Chair in Corporate Governance and the Director of the John L. Weinberg Center for Corporate Governance at the University of Delaware. He is also "Of Counsel" to the law firm of Holland & Knight. He formerly served as a Professor of Law at Stetson University College of Law in St. Petersburg, Florida from 1990 until 2001. His fields of expertise include corporations, securities regulation and corporate governance. He is a graduate of Harvard College and the University of Virginia Law School, and has served as a law clerk to Judges J. Harvie Wilkinson III and Elbert P. Tuttle of the United States Court of Appeals for the Fourth and Eleventh Circuits. He has been a Visiting Professor at the University of Illinois College Of Law, the Cornell Law School, and the University of Maryland School of Law, and was a Salvatori Fellow at the Heritage Foundation in Washington, D.C. and is a member of the American Law Institute. Professor Elson has written extensively on the subject of boards of directors. He is a frequent contributor on corporate governance issues to various scholarly and popular publications. He served on the National Association of Corporate Directors' Commissions on Director Compensation, Director Professionalism, CEO Succession, Audit Committees, Strategic Planning, Director Evaluation, Risk Governance, Effective Lead Director, and Board Diversity and was a member of its Best Practices Council on Coping With Fraud and Other Illegal Activity. He served as well on that organization's Advisory Council. He is Vice Chairman of the ABA Business Law Section's Committee on Corporate Governance and was a member of its Committee on Corporate Laws. He is presently a member of the Board of Directors of HealthSouth Corporation, a healthcare services provider and Bob Evans Farms Inc., a restaurant and food products company.

Dana K. Hamilton – Former public multifamily REIT EVP of Operations at Archstone-Smith Trust

Dana Hamilton was a key member of the management team that grew Archstone from $100 million in residential real estate assets to more than $20 billion—and into an industry-leading owner and operator of apartments in the United States and abroad. She was President-Europe and a member of the Executive Committee from May 2005 until February 2013, and Executive Vice President national Operations and a member of the Executive Committee from May 2001 until May 2005. Ms. Hamilton oversaw many industry first's during her nearly 20 years at Archstone. She is credited with promoting "Archstone," the first national brand in the multifamily industry, and spearheading the development of online leasing, outcomes-based credit scoring and highly sophisticated revenue management—all of which have subsequently become industry standards. In 2005, she took Archstone to Europe, helping to pave the way for massive industry change in the German residential market. A graduate of Stanford University, Dana Hamilton received her MBA from the University of California, Berkeley. Ms. Hamilton is a member of the World Presidents Organization, Urban Land Institute and Golden Seeds.

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Gregory F. Hughes – Former public REIT CFO at SL Green with experience across numerous real estate sectors

Gregory Hughes, from November 2010 to present, has served as a Principal for Roscommon Capital Limited Partnership, a financial advisory and investment firm. Mr. Hughes also served as the Chief Operating Officer of SL Green Realty Corp. (NYSE: SLG) from 2007 to 2010 and its Chief Financial Officer from 2004 to 2010, responsible for finance, capital markets, investor relations and administration. From 2004-2008 Mr. Hughes also served as Chief Credit Officer of Gramercy Capital Corp. (NYSE: GKK). From 2002 to 2003, prior to joining SL Green, Mr. Hughes was Managing Director and Chief Financial Officer of the private equity real estate group at JP Morgan Partners. From 1999 to 2002, Mr. Hughes was a Partner and Chief Financial Officer of Fortress Investment Group, an investment and asset management firm, which managed a real estate private equity fund of approximately $900 million and a NYSE listed real estate investment trust with assets in excess of $1.3 billion. While at Fortress Investment Group, Mr. Hughes was actively involved in evaluating a broad range of real estate equity and structured finance investments and arranged various financings to facilitate acquisitions and fund recapitalizations. Mr. Hughes also served as Chief Financial Officer of Wellsford Residential Property Trust and Wellsford Real Properties, where he was responsible for the firm's financial forecasting and reporting, treasury and accounting functions, capital markets and investor relations. Mr. Hughes is a member of the Board of Directors and Chairman of the Audit Committee for Gramercy Property Trust (NYSE: GPT). Mr. Hughes received a B.S. degree in Accounting from the University of Maryland and is a Certified Public Accountant.

Jonathan Litt – Founder/CIO of Land and Buildings and former top-ranked sell-side REIT analyst

Jonathan Litt has over 22 years of experience as a global real estate strategist and an investor in both public real estate securities and direct property. Mr. Litt founded Land and Buildings in the summer of 2008 to take advantage of the opportunities uncovered by the global property bubble. Previously, Mr. Litt was Managing Director and Senior Global Real Estate Analyst at Citigroup where he was responsible for Global Property Investment Strategy, coordinating a 44 person team of research analysts located across 16 countries. Mr. Litt was recognized as a leading analyst since 1995, achieving prestigious Institutional Investor Magazine #1 ranking for 8 years and top five ranking throughout the period. Mr. Litt also achieved top ranking from Greenwich Associates since 1995. Before moving to the sell-side in 1994, Mr. Litt worked on the buy-side investing in public real estate securities and buying real property during his tenure at European Investors and BrookHill Properties, where his career began in 1988. Mr. Litt serves on the Board of Directors at Mack-Cali (NYSE: CLI). Mr. Litt graduated from Columbia University in 1987 with a BA in Economics and NYU's Stern School of Business in 1990 with an MBA in Finance. Mr. Litt can often be seen on CNBC or quoted in the Wall Street Journal and other industry publications. He is also the president of a a not-for-profit, the Children with Dyslexia Scholarship Fund, which provides children with scholarships to secondary schools that specialize in dyslexia.

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R. Scot Sellers – Former public multifamily REIT CEO and CIO at Archstone-Smith Trust

R. Scot Sellers served as the Chief Executive Officer of Archstone, one of the world's largest apartment companies, from January 1997 through February 2013, and prior to that was Archstone's Chief Investment Officer since 1995. Under Mr. Sellers' leadership, Archstone moved from being a mid-sized owner of apartments in secondary and tertiary cities (San Antonio and El Paso), to becoming the largest publicly traded owner of urban high rise apartments in the nation's premier cities (Manhattan, Washington, D.C. and others). During the 12 years Mr. Sellers led Archstone as a public company, Archstone produced a total shareholder return of 723%, substantially in excess of that of the NAREIT Apartment Index, which was 481% during the same period. Scot increased the equity market capitalization of the company from $767 million to $15.1 billion, while also paying over $3.7 billion of cash dividends to shareholders. During Mr. Sellers' 34-year career in the apartment business, he has been responsible for the development, acquisition and operation of over $40 billion of apartment communities in over 50 different cities across the United States. Mr. Sellers is a former member of the Executive Committee of the National Multi-housing Council and served as the former Chairman of the National Association of Real Estate Investment Trusts from November 2005 to November 2006. Scot serves on the Board of The Irvine Company, The Howard Hughes Corporation, Inspirato and Habitat for Humanity International. He is a member of the World Presidents Organization, Chief Executive Officers (CEO – a YPO/WPO-related organization) and a former member of the World Economic Forum. Scot earned his MBA from Stanford in 1981, graduating as an Arjay Miller scholar. He earned his undergraduate degree from Lewis & Clark College in 1978, graduating summa cum laude.

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Stay Tuned

- **Land and Buildings looks forward to having further opportunities to communicate with shareholders**
  - In the coming weeks Land and Buildings anticipates publicly releasing our detailed strategic plan and a robust case why our Board nominees are best suited to lead AEC's transformation into a best in class REIT

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AEC's proxy peer group, as the term is used throughout the presentation, reflects AEC's apartment peer group as disclosed in AEC's most recently filed Proxy Statement , but excluding BRE Properties (NYSE: BRE) and Colonial Properties Trust (NYSE: CLP), which are no longer publically traded. Therefore, the proxy peer group includes AIMCO (NYSE: AIV), AvalonBay (NYSE: AVB), Camden Property Trust (NYSE: CPT), Equity Residential (NYSE: EQR), Essex Property Trust (NYSE: ESS), Home Properties (NYSE: HME), Mid-America Apartment Communities (NYSE: MAA), Post Properties (NYSE: PPS) and UDR (NYSE: UDR).

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INFORMATION ABOUT THE PARTICIPANTS AND A DESCRIPTION OF THEIR DIRECT OR INDIRECT INTERESTS BY SECURITY HOLDINGS IS CONTAINED IN EXHIBIT 2 TO THE SCHEDULE 14A FILED BY LAND & BUILDINGS WITH THE SEC ON DECEMBER 29, 2014. THIS DOCUMENT CAN BE OBTAINED FREE OF CHARGE FROM THE SOURCES INDICATED ABOVE.

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