MID AMERICA APARTMENT COMMUNITIES INC
Form 424B5
October 11, 2002
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FILED PURSUANT TO
RULE 424 (B) (5)
REGISTRATION NO: 333-60285

PROSPECTUS SUPPLEMENT
(To prospectus dated September 9, 1998)

470,000 Shares

9 1/4% Series F Cumulative Redeemable Preferred Stock (Liquidation Preference $25 Per Share)

Dividends on the 9 1/4% Series F Cumulative Redeemable Preferred Stock, par value $.01 per share, will be cumulative from (but excluding) the date of original issue and payable monthly in arrears, beginning on November 15, 2002, at the rate of 9 1/4% of the liquidation preference per annum, or $2.3125 per share of Series F Preferred Stock.

The shares of Series F Preferred Stock are not redeemable until October 16, 2007, after which we may redeem the shares at a redemption price of $25 per share of Series F Preferred Stock, plus any accumulated, accrued and unpaid dividends to and including the date of redemption. The shares of Series F Preferred Stock have no maturity date and will remain outstanding indefinitely unless redeemed.

We intend to file an application to list the Series F Preferred Stock on the New York Stock Exchange under the symbol MAA PrF.

You should consider the risks which we have described in Additional Risk Factors beginning on page S-6 and in Risk Factors in the accompanying prospectus beginning on page 5 before buying shares of our Series F Preferred Stock.

	Per Share	Total
Public offering price	$ 25.00	$ 11,750,000
Underwriting discount(1)	$ .7875	$ 370,125
Proceeds, before expenses, to us	$ 24.2125	$ 11,379,875

(1) See Underwriting on page S-38.

The underwriters may purchase up to an additional 50,000 shares of Series F Preferred Stock from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover over-allotments. If the option is exercised in full, the total public offering price will be $13,000,000, the total underwriting discount will be $409,500 and the total proceeds, before expenses, to us will be $12,590,500.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of Series F Preferred Stock to purchasers on or before October 16, 2002.

RAYMOND JAMES

The date of this prospectus supplement is October 10, 2002.

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Prospectus Supplement

In this prospectus supplement, the terms we, us or our include Mid-America Apartment Communities, Inc., Mid-America Apartments, L.P. and their subsidiaries. Substantially all of our assets are held by, and all of our operations are conducted through, Mid-America Apartments, L.P., of which Mid-America Apartment Communities, Inc. is the sole general partner and owns an approximate 84.1% ownership interest as of September 30, 2002. Unless otherwise stated in this prospectus supplement, we have assumed throughout this prospectus supplement that the underwriters over-allotment option is not exercised.

You should rely on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates or on other dates which are specified in those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary may not contain all of the information that is important to you. You should carefully read this entire prospectus supplement and the accompanying prospectus. You should also read the documents we have referred you to in Incorporation of Certain Information by Reference beginning on page S-39.

Our Company

Mid-America Apartment Communities, Inc. is a Memphis, Tennessee-based real estate investment trust, or REIT. As of August 31, 2002, we owned, or had an ownership interest in, and operated 123 apartment communities containing 33,923 apartment units in 12 states. Our apartment communities appeal to middle and upper income residents primarily in mid-size cities in the southeastern United States and Texas. Approximately 72% of our apartment units are located in Tennessee, Georgia, Florida and Texas markets. As of August 31, 2002, our apartment communities had an average occupancy rate of 94.5%. We currently employ approximately 1,100 people. Currently our executive officers and directors beneficially own approximately 11.5% of our common stock.

Our strategic focus is to provide our residents high quality apartment units in attractive community settings, characterized by extensive landscaping and attention to aesthetic detail. We utilize our experience and expertise in maintenance, landscaping and management to provide highly competitive apartment communities, with a goal of maintaining high occupancy levels and increasing per unit average rentals. We manage expenses through our system of detailed management reporting and accountability in order to achieve increases in operating cash flow. We seek to increase operating cash flow and earnings per share to maximize shareholder value through a balanced strategy of internal and external growth.

In order to meet our strategic and financial objectives, we strive to:

- empower our property managers to adjust rents in response to local market conditions and to concentrate resident turnover in peak rental demand months;
- offer new services, including telephone and cable access, to residents to increase our revenue, and reduce our operating costs through initiatives such as the installation of individual apartment unit water and utility meters and billing for trash collection in certain apartment communities;
- maintain a highly competitive portfolio with attractive curb appeal through extensive landscaping and exterior improvements and a research-based program of selective property additions and dispositions;
- pursue joint venture relationships to generate additional fee income;
- compensate employees through performance-based compensation and stock ownership programs;
- maintain a hands-on management style and flat organizational structure that emphasizes senior management s continued close contact with the market and employees; and
- improve our cost of capital through refinancing, repurchasing and issuing debt, shares of common stock and preferred stock and by managing our interest rate risk.

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Our Markets

As of August 31, 2002, we owned, or had an ownership interest in, and operated 123 apartment communities containing 33,923 apartment units in 12 states.

	Units	Portfolio Concentration	Average Occupancy (1)	Average Rental Rate (1)
Tennessee				
Memphis	4,460	13.1%	93.3%	$ 634
Nashville	1,399	4.1%	94.0%	$ 772
Chattanooga	943	2.8%	96.0%	$ 561
Jackson	664	2.0%	94.3%	$ 616
Tennessee Total	7,466	22.0%	93.8%	$ 650
Florida				
Jacksonville	2,846	8.4%	95.1%	$ 687
Tampa	1,120	3.3%	94.1%	$ 754
Other	2,518	7.4%	96.2%	$ 715
Florida Total	6,484	19.1%	95.4%	$ 710
Georgia				
Atlanta	2,116	6.2%	93.1%	$ 810
Columbus/LaGrange	1,509	4.4%	95.2%	$ 655
Augusta/Aiken/Savannah	804	2.4%	96.9%	$ 610
Other	1,742	5.1%	94.5%	$ 656
Georgia Total	6,171	18.1%	94.5%	$ 702
Texas				
Dallas	2,056	6.1%	88.7%	$ 658
Austin	1,254	3.7%	97.4%	$ 701
Houston	1,002	3.0%	94.2%	$ 673
Texas Total	4,312	12.8%	92.5%	$ 674
South Carolina	2,604	7.7%	94.6%	$ 605
Mississippi	2,130	6.3%	96.4%	$ 597
Kentucky	1,748	5.1%	95.4%	$ 696
Alabama	952	2.8%	95.3%	$ 649
Arkansas	808	2.4%	98.1%	$ 607
North Carolina	738	2.2%	91.3%	$ 573
Virginia	296	0.9%	98.6%	$ 688
Ohio	214	0.6%	95.8%	$ 664
Total Apartment Units	**33,923**	**100%**	**94.5%**	**$ 667**

(1) Averages as of August 31, 2002

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Recent Developments

Crow Joint Venture

In May 2002, we entered into an agreement of limited partnership with CH Realty II/MAA, L.L.C., or Crow Holdings, establishing Mid-America/CH Realty Limited Partnership, or the Crow Joint Venture, to pursue attractive multifamily property investment opportunities. The Crow Joint Venture will seek to acquire multifamily properties located in major and select secondary markets throughout the southeast and south central regions of the United States. Under the joint venture partnership agreement, we have agreed to contribute up to $16.7 million of capital in exchange for a 33 $^{1}/3$% interest in the Crow Joint Venture to fund the equity portion of multifamily property investments that are mutually acceptable to us and Crow Holdings. We provide acquisition, redevelopment and property management services to the Crow Joint Venture and receive a property management fee for our services equal to 4% of gross revenue from each property in the Crow Joint Venture. Under the joint venture partnership agreement, until April 1, 2003, we are required to offer to the Crow Joint Venture each opportunity for new investment in any apartment community we do not own anywhere in the United States.

In July 2002, we acquired for $33.7 million Preston Hills apartments, a 464-unit property located in a northeast suburb of Atlanta, Georgia. We intend to transfer Preston Hills apartments at our cost basis into the Crow Joint Venture in October 2002. Through the Crow Joint Venture, we will continue to pursue a number of investment opportunities in the higher growth markets of the southeast, including Atlanta, Austin, Dallas, Houston, and major Florida and Virginia markets.

Recent Financing Activity

In August 2002, we entered into an amended credit facility with Fannie Mae, increasing the combined total available credit to $550 million from $300 million. The terms are generally similar to our prior Fannie Mae facility and include a five-year base term and interest rate floating at approximately 65 basis points over LIBOR, with an option to extend the term for five more years at then-current pricing.

We believe that through a hedging strategy we have reduced our interest rate risk on approximately 98% of our fixed rate debt maturities through December 2003. We executed forward interest rate swaps with three different counter-parties commencing in 2003, which hedge the variable interest rate risk for periods up to 2010 on $175 million aggregate principal amount of debt. These swaps have been designated against forecasted debt which will replace $144 million maturing fixed-rate debt and to replace $25 million of expiring interest rate swaps. The weighted average interest rate fixed by these forward swaps is 5.95%, compared to a weighted average interest rate of 7.09% on the debt to be refinanced.

Consolidated Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends and Consolidated Ratio of Earnings to Fixed Charges

The consolidated ratio of earnings to combined fixed charges and preferred stock dividends and consolidated ratio of earnings to fixed charges for each of the periods indicated is as follows:

	Six Months Ended June 30, 2002	YEAR ENDED DECEMBER 31, 2001	2000	1999	1998	1997
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends	1.0x	1.1x	1.0x	1.1x	1.2x	1.5x
Ratio of Earnings to Fixed Charges	1.3x	1.3x	1.3x	1.4x	1.5x	1.7x

For the purpose of calculating the consolidated ratio of earnings to combined fixed charges and preferred stock dividends and the consolidated ratio of earnings to fixed charges, earnings consist of net income (loss) before gain on disposition of properties, extraordinary items and allocation to minority interests, plus fixed charges less capitalized interest. Fixed charges consist of interest expense, capitalized interest, amortized premiums, discounts and capitalized expenses relating to debt and the interest component of rent expense.

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The Offering

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Series F Preferred Stock, see Description of the Series F Preferred Stock beginning on page S-16 in this prospectus supplement.

Issuer	Mid-America Apartment Communities, Inc.
Securities Offered	470,000 shares of 9 1/4% Series F Cumulative Redeemable Preferred Stock, par value $.01 per share. The underwriters have the option to purchase up to 50,000 additional shares of Series F Preferred Stock from us to cover over-allotments, if any.
Dividends	Investors will be entitled to receive preferential cumulative cash dividends on the Series F Preferred Stock at a rate of 9 1/4% per annum of the $25 per share liquidation preference (equivalent to $2.3125 per annum per share). Beginning on November 15, 2002, dividends on the Series F Preferred Stock will be payable monthly in arrears on or about the 15th day of each month. The first dividend, which will be payable on November 15, 2002, will be for less than a full month. Dividends on the Series F Preferred Stock will be cumulative from (but excluding) the date of original issuance, which is expected to be October 16, 2002.
Maturity	The Series F Preferred Stock does not have any maturity date, and we are not required to redeem the Series F Preferred Stock. In addition, we are not required to set aside funds to redeem the Series F Preferred Stock. Accordingly, the shares of Series F Preferred Stock will remain outstanding indefinitely unless we decide in our sole discretion to redeem them.
Optional Redemption	We may not redeem the Series F Preferred Stock prior to October 16, 2007, except in limited circumstances relating to our continuing qualification as a REIT. On and after October 16, 2007, we may, at our option, redeem the Series F Preferred Stock, in whole or in part, at any time or from time to time, by payment of $25 per share, plus any accumulated, accrued and unpaid dividends to and including the date of redemption.
Liquidation Preference	If we liquidate, dissolve or wind up, holders of the Series F Preferred Stock will have the right to receive the $25 per share liquidation preference, plus any accumulated, accrued and unpaid dividends to and including the date of payment, but without interest, before any payment is made to the holders of our common stock or any other class or series of our capital stock rating junior to the Series F Preferred Stock.
Rank	With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series F Preferred Stock will be equal in rank with our 9.5% Series A Cumulative Preferred Stock, $25 liquidation preference per share; our 8 7/8% Series B Cumulative Preferred Stock, $25 liquidation preference per share; our

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9 $^{3}/8$% Series C Cumulative Redeemable Preferred Stock, $25 liquidation preference per share; and our 9 $^{1}/2$% Series E Cumulative Preferred Stock, $25 liquidation preference per share; senior to our common stock, par value $.01 per share and junior to all our existing and future indebtedness.

Voting Rights	Holders of Series F Preferred Stock generally have no voting rights. However, if dividends on any shares of the Series F Preferred Stock are in arrears for 18 or more months, holders of the Series F Preferred Stock (voting together as a single class with holders of shares of any series of our preferred stock equal in rank with the Series F Preferred Stock upon which like voting rights have been conferred) will have the right to elect two additional directors to serve on our Board of Directors until such dividend arrearage is eliminated. In addition, we may not change the designations, rights, preferences, privileges or limitations in respect of the Series F Preferred Stock in a manner that would be materially adverse to the rights of holders of the Series F Preferred Stock without the affirmative vote of at least two-thirds of the shares of Series F Preferred Stock then outstanding.
Restrictions on Ownership and Transfer	Our charter states that no person, directly or indirectly, may own more than 9.9% in value of our outstanding capital stock. Shares of Series F Preferred Stock acquired or transferred in breach of this limitation will be automatically deemed held in trust for the exclusive benefit of the transferees to whom that capital stock may be transferred without violating the 9.9% ownership limitation. In such event the purchaser-transferee shall not be entitled to vote or to participate in dividends or other distributions. The Series F Preferred Stock is subject to the general restrictions on ownership and transferability described under Description of Capital Stock Ownership Limitations on page 18 in the accompanying prospectus.
Conversion	Shares of Series F Preferred Stock are not convertible into or exchangeable for any other securities or property.
Use of Proceeds	We estimate that our net proceeds from the offering will be approximately $11.2 million (approximately $12.4 million if the underwriters over-allotment option is exercised in full). We intend to use the net proceeds from the offering of Series F Preferred Stock to repurchase and retire a portion of the issued and outstanding shares of our Series E Preferred Stock, or to redeem a portion of our issued and outstanding shares of Series A Preferred Stock.
Listing	We intend to file an application to list the Series F Preferred Stock on the New York Stock Exchange under the symbol MAA PrF. If the application is approved, trading of the Series F Preferred Stock on the NYSE is expected to begin within 30 days after the date of initial delivery of the Series F Preferred Stock.

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ADDITIONAL RISK FACTORS

Before you invest in the Series F Preferred Stock, you should consider carefully the risk factors listed below together with all of the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the Risk Factors beginning on page 5 in the accompanying prospectus.

Our issuance of additional preferred stock equal in rank with or senior to the Series F Preferred Stock could dilute the interests of the holders of the Series F Preferred Stock.

Our charter currently authorizes the issuance of up to 20,000,000 shares of preferred stock in one or more series. As of the date of this prospectus supplement, there are issued and outstanding 2,000,000 shares of Series A Preferred Stock, 1,938,830 shares of Series B Preferred Stock, 2,000,000 shares of Series C Preferred Stock and 1,000,000 shares of Series E Preferred Stock, all of which are equal in rank with the Series F Preferred Stock with respect to the payment of dividends and amounts on liquidation, dissolution and winding up. Our Board of Directors has designated 3,000,000 shares of preferred stock as Series F Preferred Stock, only 470,000 (520,000 shares if the underwriters over-allotment option is exercised in full) of which will be issued in this offering. The remaining shares of Series F Preferred Stock may be issued in the future upon authorization by our Board of Directors. The issuance of additional shares of Series F Preferred Stock or other series of preferred stock equal in rank with or senior to the Series F Preferred Stock could have the effect of diluting the interests of holders of the Series F Preferred Stock. None of the provisions of our charter relating to the Series F Preferred Stock afford the holders of the Series F Preferred Stock protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all of our property or business, that might adversely affect the holders of the Series F Preferred Stock. Upon completion of this offering, the net proceeds will be used to repurchase a portion of the issued and outstanding shares of Series E Preferred Stock, which will be retired, or to redeem a portion of the issued and outstanding shares of Series A Preferred Stock. See Use of Proceeds below.

Increasing insurance costs may negatively impact our financial condition.

Because we have substantial real estate holdings, the cost of insuring our properties is a significant item of expense to us. Due in part to the events of September 11, 2001, and other recent disasters, premiums for property and casualty insurance have risen significantly in recent months. In addition, the effects of September 11, 2001 made it more likely that lenders will begin to require us to carry insurance against acts of terrorism on our properties. The cost of such insurance is likely to be high. If the cost of property and casualty insurance continues to rise, or if our lenders require us to begin insuring our properties against terrorism, our cost of doing business would likely rise, which may in turn negatively impact our financial condition and results of operations.

USE OF PROCEEDS

We estimate the net proceeds from the sale of the Series F Preferred Stock to be approximately $11.2 million after deducting underwriting discounts and paying offering expenses of approximately $223,000 (approximately $12.4 million if the underwriters over-allotment option is exercised in full). We intend to use all of the net proceeds to repurchase and retire a portion of the issued and outstanding shares of our Series E Preferred Stock, or to redeem a portion of the issued and outstanding shares of our Series A Preferred Stock.

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CAPITALIZATION

The following table sets forth our capitalization on June 30, 2002 and as adjusted to give effect to the issuance of the Series F Preferred Stock and the application of the net proceeds to repurchase and retire a portion of the outstanding shares of Series E Preferred Stock. The information set forth in the following table should be read in connection with, and is qualified in its entirety by reference to, the financial statements and notes thereto incorporated by reference in this prospectus supplement and the accompanying prospectus.

	June 30, 2002	
	Historical	As Adjusted
	(unaudited)	
	(Dollars in thousands)	
Notes payable	$ 788,136	$ 788,136
Minority interest	43,106	$ 43,106
Shareholders equity:		
Preferred stock, $.01 par value per share, 20,000,000 shares authorized		
No shares of 9 1/4% Series F Cumulative Redeemable Preferred Stock, Liquidation Preference $25 per share, issued and outstanding, 470,000 shares issued and outstanding as adjusted		5
1,000,000 shares of 9 1/2% Series E Cumulative Redeemable Preferred Stock, Liquidation Preference $25 per share, issued and outstanding, 582,921 shares issued and outstanding as adjusted	10	6
2,000,000 shares of 9 3/8% Series C Cumulative Redeemable Preferred Stock, Liquidation Preference $25 per share, issued and outstanding	20	20
1,938,830 shares of 8 7/8% Series B Cumulative Preferred Stock, Liquidation Preference $25 per share, issued and outstanding	19	19
2,000,000 shares of 9.5% Series A Cumulative Preferred Stock, Liquidation Preference $25 per share, issued and outstanding	20	20
Common stock, $.01 par value per share, 50,000,000 shares authorized, 17,628,760 shares issued and outstanding	176	