

# BRE FINANCIAL NEWS

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*FOR IMMEDIATE RELEASE*

## **BRE PROPERTIES REPORTS FIRST QUARTER 2006 RESULTS**

April 26, 2006 (San Francisco) – BRE PROPERTIES, INC., (NYSE:BRE) today reported operating results for the quarter ended March 31, 2006.

Funds from operations (FFO), the generally accepted measure of operating performance for real estate investment trusts, totaled \$27.1 million, or \$0.51 per diluted share, during first quarter 2006, as compared with \$26.2 million, or \$0.50 per diluted share for the quarter ended March 31, 2005. (A reconciliation of net income available to common shareholders to FFO is provided at the end of this release.) First quarter 2005 FFO included approximately \$1.0 million, or \$0.02 per share, of nonroutine income received from the settlement of bankruptcy proceedings with VelocityHSI.

Net income available to common shareholders for the first quarter totaled \$7.4 million, or \$0.14 per diluted share, as compared with \$28.8 million, or \$0.56 per diluted share, for the same period 2005. First quarter 2005 results included a net gain on sale totaling \$21.5 million, or \$0.42 per diluted share. No property sales were recorded during first quarter 2006.

Adjusted EBITDA for the quarter totaled \$53.2 million, as compared with \$49.3 million in first quarter 2005. (A reconciliation of net income available to common shareholders to Adjusted EBITDA is provided at the end of this release.) For first quarter 2006, revenues totaled \$78.8 million, as compared with \$70.4 million a year ago, which excludes revenues from discontinued operations of \$5.1 million in the current period and \$7.1 million in the prior period.

BRE's year-over-year comparative earnings and FFO results were influenced by property-level same-store performance, income from acquisitions, properties in the lease-up phase of development and property dispositions. Same-store net operating income (NOI) increased 6.8% for the quarter, as compared with the same period in 2005. (A reconciliation of net income available to common

shareholders to NOI is provided at the end of this release.) The positive factors were offset by increased interest expense and dilution from properties sold during the first six months of 2005. Earnings per share (EPS) results for the quarter were influenced by an increased level of depreciation expense related to new property acquisitions and development properties completed during the past year.

<b>Level of Investment and Overall NOI by Region</b>				
<b>Quarter Ended March 31, 2006</b>				
<u>Region</u>	<u># Units</u>	<u>Gross Investment</u>	<u>% Investment</u>	<u>% Q1 '06 NOI</u>
Southern California	11,220	\$1,426,747	51%	55%
Northern California	5,880	656,386	23%	24%
Seattle	3,572	394,852	14%	12%
Phoenix	1,586	120,472	4%	4%
Discontinued Operations	2,184	219,889	8%	5%
<i>(\$ amounts in 000s)</i> <b>Total</b>	<b>24,442</b>	<b>\$2,818,346</b>	<b>100%</b>	<b>100%</b>

Acquisition activities during 2004 and 2005 increased first quarter 2006 NOI by \$1.8 million, as compared with first quarter 2005. Development and lease-up properties generated \$800,000 in additional NOI during the quarter, as compared with first quarter 2005. Disposition activities during the first half of 2005 reduced first quarter 2006 NOI \$1.6 million, as compared with first quarter 2005.

Interest expense increased to \$20.8 million during first quarter 2006, from \$18.1 million in first quarter 2005. The increase reflects the issuance of \$150 million in unsecured notes during second quarter 2005, the assumption of approximately \$35 million of secured debt associated with a property acquisition, additional borrowings to fund investment activities and rising short-term interest rates. General and administrative expenses decreased to \$4.4 million in first quarter 2006, from \$4.8 million in first quarter 2005.

Other Expenses reflect Red Hawk Ranch litigation costs, which totaled \$500,000, or \$0.01 per diluted share and \$450,000, or \$0.01 per diluted share, for the quarters ended March 31, 2006 and 2005, respectively.

### **Same-Store Property Results**

BRE defines same-store properties as stabilized apartment communities owned by the company for at least five full quarters. Of the 24,442 apartment units owned directly by BRE, same-store units totaled 19,352 for the quarter.

On a year-over-year basis, overall same-store revenue growth exceeded 6.5%, and was positively influenced by continued market rent growth in all operating regions, strong seasonal occupancy levels and stable resident turnover. Average same-store market rent for first quarter 2006 increased 8% to \$1,282 per unit, from \$1,182 per unit in first quarter 2005. Same-store physical occupancy levels averaged 95% during first quarter 2006, as compared with 94% in the same period 2005. Annualized resident turnover averaged 56% during the quarter, as compared with 55% first quarter last year.

Consistent with management's expectations, overall same-store operating expenses incurred during first quarter 2006 increased approximately 6% from 2005 levels. This increase, which was almost twice the company's historical average annual run-rate of approximately 3%, can be attributed to higher than usual turnover-related costs and greater payroll expense. The increase in resident turnover expense is related to the growing costs associated with carpet and flooring, which are petroleum-based products. In addition, the company has experienced increased expense for appliance replacements.

On a sequential basis, same-store revenue was flat with fourth quarter levels, which management believes is an indicator of fully recovered fundamentals in all of the company's core operating markets. Market rent growth and occupancy improved throughout fourth quarter 2005 and first quarter 2006, a departure from the typical seasonal patterns of fourth quarter sequential declines followed by late first quarter recovery. Same-store NOI decreased 4.0%, as compared with fourth quarter 2005 due to expense growth of 9.5%, driven primarily by sequential increases and the timing associated with repairs and maintenance, utilities, payroll and property taxes.

**Same-Store % Growth Results  
Q1 2006 Compared with Q1 2005**

	% Change				# Units
	<u>% NOI</u>	<u>Revenue</u>	<u>Expenses</u>	<u>NOI</u>	
L.A./Orange County, California	33%	6.3%	4.4%	7.2%	5,967
San Diego, California	23%	6.2%	4.4%	6.9%	3,711
San Francisco, California	18%	6.4%	9.2%	5.2%	3,035
Sacramento, California	10%	7.0%	6.0%	7.5%	2,156
Seattle, Washington	12%	6.1%	6.7%	5.7%	3,149
Phoenix, Arizona	4%	11.5%	11.9%	11.2%	1,334
<b>Total</b>	<b>100%</b>	<b>6.6%</b>	<b>6.2%</b>	<b>6.8%</b>	<b>19,352</b>

**Same-Store Average Occupancy and Turnover Rates**

	<u>Physical Occupancy</u>			<u>Turnover Ratio</u>	
	<u>Q1 2006</u>	<u>Q4 2005</u>	<u>Q1 2005</u>	<u>Q1 2006</u>	<u>Q1 2005</u>
L.A./Orange County, California	94.1%	94.9%	94.7%	56%	54%
San Diego, California	95.1%	95.9%	94.4%	65%	58%
San Francisco, California	95.9%	96.2%	92.7%	49%	50%
Sacramento, California	95.6%	96.9%	93.2%	61%	60%
Seattle, Washington	94.5%	93.5%	93.3%	47%	52%
Phoenix, Arizona	97.5%	97.2%	93.3%	61%	68%
<b>Average</b>	<b>95.1%</b>	<b>95.4%</b>	<b>93.8%</b>	<b>56%</b>	<b>55%</b>

**Development Activity**

During first quarter 2006, the company had three Southern California communities in the lease-up phase: The Heights, with 208 units, in Chino Hills; Galleria at Towngate, with 268 units, in Moreno Valley; and Bridgeport Coast, with 188 units, in Santa Clarita. At the end of the quarter, 192 units were delivered at The Heights, 132 of which were occupied. At Galleria at Towngate, 160 units were delivered, 102 of which were occupied. At Bridgeport Coast, 36 units were delivered, eight of which were occupied.

Including the three properties in lease-up, BRE currently has six communities under construction, with a total of 1,536 units, an aggregate projected investment of \$356 million and an estimated balance to complete totaling \$131 million. Expected delivery dates for these units range from second quarter 2006 through fourth quarter 2007. Five development communities are in Southern California; the other is located in Northern California.

During first quarter 2006, BRE acquired two parcels of land in California: a 14.5-acre site in Anaheim, with a purchase price of approximately \$30 million, or \$2.1 million per acre; and a 7.3-acre site in Santa Clara, with a purchase price of \$28.5 million, or \$3.9 million per acre. The Santa Clara development site includes three occupied office buildings with approximately 50,000 square feet of space. The company intends to demolish the office buildings, rezone the land for both single family and multifamily housing, and sell the parcel designated for single family housing.

Combined with parcels of land previously acquired, BRE now owns five parcels representing 1,363 units of future development, for an estimated aggregate cost of \$400 million upon completion. The land parcels are located in Southern California, Northern California and the Seattle, Washington metro area.

### **Financial and Other Information**

At March 31, 2006, BRE's combination of debt and equity resulted in a total market capitalization of approximately \$4.8 billion, with a debt-to-total market capitalization ratio of 34%. BRE's outstanding debt of \$1.6 billion carried a weighted average interest rate of 6.2% for the quarter ended March 31, 2006. BRE's coverage ratio of Adjusted EBITDA to interest expense was 2.6 times for the quarter. The weighted average maturity for outstanding debt is four and a half years. At March 31, 2006, outstanding borrowings under the company's unsecured and secured lines of credit totaled \$461 million, with a weighted average interest cost of 5.7%.

During the first quarter of 2006 the company replaced its existing credit facility with a \$600 million unsecured revolving line of credit with a group of 14 lenders. The new credit facility has a four-year term with a one-year extension, which is available at the company's sole option. Based on the company's current debt ratings, the line of credit is priced at LIBOR plus 57.5 basis points. The credit facility will be used to fund acquisition and development activities as well as for general working capital purposes.

For first quarter 2006, cash dividend payments to common shareholders totaled \$26.4 million, or \$0.5125 per share, which represents an increase of 2.5% over prior year per share dividend levels.

### **Red Hawk Ranch Litigation**

Subsequent to the end of first quarter 2006, the company received \$17.5 million from the settlement of construction defect litigation regarding Red Hawk Ranch, a 453-unit BRE property located in Fremont, California.

The settlement did not include claims associated with three subcontractors against whom the company has continued litigation. The company has reached settlement terms with the subcontractors, which will result in a payment of approximately \$2.0 million to BRE during second quarter 2006. Settlement proceeds will be recognized as Other Income, and are expected to total \$19.5 million, or \$0.37 per share.

The capitalized cost of reconstruction is estimated to total \$22.2 million. To date, the company has expended \$8.0 million for reconstruction. All reconstruction work is expected to be complete during first quarter 2007. Legal and consulting costs associated with the litigation have totaled \$5.9 million to date, and have been recorded as Other Expenses.

### **Earnings Outlook**

At April 23rd, 11 research analysts had contributed quarterly FFO estimates on BRE to First Call™, a widely referenced source of consensus earnings. Current analyst estimates of BRE's per share FFO for first quarter 2006 range from \$0.49 to \$0.56, for a consensus average of \$0.52 per share.

For the year 2006, 12 analysts have contributed FFO estimates for BRE to First Call ranging from \$2.10 to \$2.53, for a consensus average of \$2.37.

The company's first quarter 2006 operating and financial results were consistent with management's expectations; all core operational guidance factors for 2006, outlined in a January 2006 release, remain intact. However, BRE has revised 2006 earnings estimates upwards to reflect the impact of the additional litigation settlement proceeds on FFO and EPS, as follows:

- FFO guidance has been revised to a range of \$2.44 to \$2.56 per share, from a range of \$2.40 to \$2.52 per share.
- EPS has been revised to a range of \$0.99 to \$1.11, from a range of \$0.95 to \$1.07. EPS estimates for 2006 do not include projected gains or losses associated with property sales.

FFO and EPS estimates may be subject to fluctuation as a result of several factors, including any change to underlying operating fundamentals, the timing associated with acquisition and disposition activity, the incurrence of any unexpected charges, and any gains or losses associated with disposition activity.

### **Q1 2006 Analyst Conference Call**

The company will hold a conference call on Thursday, April 27 at 8:30 a.m. PDT (11:30 a.m. EDT) to review these results. The dial-in number to participate in the U.S and Canada is 888.290.1473; the international number is 706.679.8398. Enter Conf. ID# 6964957. A telephone replay of the call will be available April 27-May 26, 2006 at 800.642.1687 or 706.645.9291 international, using the same ID#. A link to the live webcast of the call will be posted on [breproperties.com](http://breproperties.com), in Investors, on the Corporate Profile page. A webcast replay will be available for 30 days following the call.

## **About BRE Properties**

BRE Properties—a real estate investment trust—develops, acquires and manages apartment communities convenient to its residents’ work, shopping, entertainment and transit in supply-constrained Western U.S. markets. BRE directly owns and operates 86 apartment communities totaling 24,442 units in California, Arizona, Washington and Colorado. The company currently has 11 other properties in various stages of development and construction, totaling 2,899 units, and joint venture interests in two additional apartment communities, totaling 488 units.

*“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: Except for the historical information contained herein, this news release contains forward-looking statements regarding the company’s capital resources, portfolio performance and results of operations, and is based on the company’s current expectations and judgment. You should not rely on these statements as predictions of future events because there is no assurance that the events or circumstances reflected in the statements can be achieved or will occur. Forward-looking statements are identified by words such as “believes,” “expects,” “may,” “will,” “should,” “peeks” “approximately,” “intends,” “plans,” “pro forma,” “estimates,” or “anticipates” or their negative form or other variations, or by discussions of strategy, plans or intonations. The following factors, among others, could affect actual results and future events: defaults or non-renewal of leases, increased interest rates and operating costs, failure to obtain necessary outside financing, difficulties in identifying properties to acquire and in affecting acquisitions, failure to successfully integrate acquired properties and operations, inability to dispose of assets that no longer meet our investment criteria under applicable terms and conditions, risks and uncertainties affecting property development and construction (including construction delays, cost overruns, liability to obtain necessary permits and public opposition to such activities), failure to qualify as a real estate investment trust under the Internal Rescue Code of 1986, as amended, and increases in real property tax rates. The company’s success also depends on general economic trends, including interest rates, tax laws, governmental regulation, legislation, population changes and other factors, including those risk factors discussed in the section entitled “Risk Factors” in the company’s most recent Annual Report on Form 10-K as they may be updated from time to time by the company’s subsequent filings with the Securities and Exchange Commission. Do not rely solely on forward-looking statements, which only reflect management’s analysis. The company assumes no liability to update this information. For more details, please refer to the company’s SEC filings, including its most recent Annual Report on Form 10-K and quarterly reports on form 10-Q.*

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