

BRE FINANCIAL NEWS

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FOR IMMEDIATE RELEASE

BRE PROPERTIES REPORTS SECOND QUARTER 2006 RESULTS

July 31, 2006 (San Francisco) – BRE PROPERTIES, INC., (NYSE:BRE) today reported operating results for the quarter and six-month period ended June 30, 2006.

Funds from operations (FFO), the generally accepted measure of operating performance for real estate investment trusts, totaled \$51.4 million, or \$0.96 per diluted share, during second quarter 2006, as compared with \$26.9 million, or \$0.51 per diluted share for the quarter ended June 30, 2005. Second quarter 2006 FFO included two nonroutine income items: (i) recoveries from a litigation settlement, totaling \$19.5 million, or \$0.36 per share; and (ii) income from gains on sales of excess land in Bellevue, Washington and Anaheim, California, totaling \$3.5 million, or \$0.07 per diluted share. (A reconciliation of net income available to common shareholders to FFO is provided at the end of this release.)

Net income available to common shareholders for the second quarter totaled \$70.6 million, or \$1.33 per diluted share, as compared with \$13.5 million, or \$0.26 per diluted share, for the same period 2005. In addition to the two nonroutine income items referenced above, second quarter 2006 results included a net gain on sales totaling \$38.3 million, or \$0.72 per diluted share. Second quarter 2005 results included a net gain on sales totaling \$5.4 million, or \$0.10 per diluted share.

Adjusted EBITDA for the quarter totaled \$52.8 million, as compared with \$50.2 million in second quarter 2005. (A reconciliation of net income available to common shareholders to Adjusted EBITDA is provided at the end of this release.) For second quarter 2006, revenues totaled \$82.1 million, as compared with \$72.7 million a year ago, which excludes revenues from discontinued operations of \$1.6 million in the current period and \$5.8 million in the prior period.

For the year-to-date period, FFO totaled \$78.5 million, or \$1.47 per diluted share, as compared with \$53.1 million, or \$1.01 per diluted share for the six-month period in 2005.

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Net income available to common shareholders for the six-month period totaled \$78.0 million, or \$1.49 per diluted share, as compared with \$42.3 million, or \$0.82 per diluted share, for the same period 2005. The 2006 year-to-date results included the three nonroutine items cited previously, totaling \$61.3 million, or \$1.17 per diluted share. The 2005 year-to-date results included a net gain on sales totaling \$26.9 million, or \$0.52 per diluted share.

Adjusted EBITDA for the six-month period totaled \$106.0 million, as compared with \$99.5 million for the same period in 2005. For first half of 2006, revenues totaled \$160.9 million, as compared with revenues of \$143.1 million for the same period 2005, which excludes revenues from discontinued operations of \$6.6 million in the current period and \$12.9 million in the prior period.

BRE's positive year-over-year earnings and FFO results were influenced by property level same-store performance, income from acquisitions and the lease-up of development properties. Positive overall net operating income (NOI) growth was offset by higher interest expense and modestly higher corporate general and administrative expenses.

Level of Investment and NOI by Region				
Quarter Ended June 30, 2006				
<u>Region</u>	<u># Units</u>	<u>Gross Investment</u>	<u>% Investment</u>	<u>% Q2'06 NOI</u>
Southern California	11,428	\$1,487,145	55%	56%
Northern California	5,644	655,573	24%	25%
Seattle	3,572	395,905	15%	13%
Phoenix	1,334	118,035	4%	4%
Unconsolidated Joint Ventures	2,672	38,644	2%	2%
<i>(\$ amounts in 000s)</i> Total	24,650	\$2,695,302	100%	100%

Year-over-year same-store NOI growth was 5.8% and 6.2% for the quarter and year-to-date periods, respectively. For the second quarter, same-store NOI increased \$2.8 million relative to the same period in the prior year. (A reconciliation of net income available to common shareholders to NOI is provided at the end of this release.) Acquisition activities during 2004 and 2005 increased second quarter 2006 NOI by \$1.7 million, as compared with the same period in the prior year. Development and lease-up properties generated \$1.2 million in additional NOI during the quarter, as compared with second quarter 2005.

Interest expense increased to \$19.7 million during second quarter 2006, from \$18.4 million in second quarter 2005, and to \$40.5 million, from \$36.4 million in the respective six-month periods. The year-over-year increase reflects the issuance of \$150 million in unsecured notes in May 2005 as well as a rising short-term interest rate environment. On a sequential basis, interest expense dropped \$1.1 million from first quarter 2006, reflecting a reduction of debt from property dispositions.

General and administrative expense totaled \$4.7 million in second quarter 2006, as compared with \$4.0 million in second quarter 2005. For the six-month period, G&A expense increased to \$9.2 from \$8.8 million in the same period in the prior year. G&A expense increases are attributed primarily to compensation and technology-related costs.

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 21,978 apartment units owned directly by BRE, same-store units totaled 19,976 for the quarter.

On a year-over-year basis, overall same-store NOI growth was driven by revenue growth and maintaining property-level operating margins at approximately 68%. Average same-store market rent for second quarter 2006 increased 9.1% to \$1,330 per unit, from \$1,219 per unit in second quarter 2005. Same-store physical occupancy levels averaged 95.0% during second quarter 2006, as compared with 94.4% in the same period 2005.

For the second quarter and year-to-date periods, property-level operating expense increased 10.4% and 8.4%, respectively. The absolute level of expense growth exceeded management expectations by approximately \$1.0 million, due to the timing of turnover-related costs and property tax assessments. Management believes the level of percentage growth is not an accurate depiction of expected annualized expense growth. By end of the year, the company expects annual same-store expense growth of approximately 6.0%.

**Same-Store % Growth Results
Q2 2006 Compared with Q2 2005**

	% Change				# Units
	<u>% NOI</u>	<u>Revenue</u>	<u>Expenses</u>	<u>NOI</u>	
L.A./Orange County, California	35%	7.0%	13.6%	4.1%	6,591
San Diego, California	22%	7.0%	15.6%	3.9%	3,711
San Francisco, California	17%	6.9%	5.8%	7.3%	3,035
Sacramento, California	9%	4.8%	2.5%	6.0%	2,156
Seattle, Washington	13%	8.3%	7.6%	8.7%	3,149
Phoenix, Arizona	4%	13.3%	8.7%	16.3%	1,334
Total	100%	7.2%	10.4%	5.8%	19,976

**Same-Store % Growth Results
Six Months Ended June 30, 2006 Compared with 2005**

	% Change				# Units
	<u>% NOI</u>	<u>Revenue</u>	<u>Expenses</u>	<u>NOI</u>	
L.A./Orange County, California	32%	6.5%	9.7%	5.1%	5,967
San Diego, California	23%	6.6%	9.9%	5.4%	3,711
San Francisco, California	18%	6.7%	7.5%	6.3%	3,035
Sacramento, California	10%	5.9%	4.2%	6.7%	2,156
Seattle, Washington	13%	7.2%	7.1%	7.3%	3,149
Phoenix, Arizona	4%	12.4%	10.3%	13.8%	1,334
Total	100%	6.9%	8.4%	6.2%	19,352

Same-Store Average Occupancy and Turnover Rates

	<u>Physical Occupancy</u>			<u>Turnover Ratio</u>	
	<u>Q2 2006</u>	<u>Q1 2006</u>	<u>Q2 2005</u>	<u>YTD 2006</u>	<u>YTD 2005</u>
L.A./Orange County, California	94.6%	94.1%	94.6%	62%	61%
San Diego, California	95.5%	95.1%	94.4%	68%	67%
San Francisco, California	94.6%	95.9%	94.2%	56%	57%
Sacramento, California	94.5%	95.6%	95.0%	66%	68%
Seattle, Washington	95.6%	94.5%	94.6%	55%	57%
Phoenix, Arizona	96.3%	97.5%	92.6%	69%	74%
Average	95.0%	95.1%	94.4%	62%	63%

Development Activity

During second 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, all units were delivered at The Heights, 190 of which were occupied. At Galleria at Towngate, 246 units were delivered, 177 of which were occupied. At Bridgeport Coast, 160 units were delivered, 117 of which were occupied.

Including the two properties in the final stage of construction, BRE currently has five communities under construction, with a total of 1,328 units, for an aggregate projected investment of \$316.4 million and an estimated balance to complete totaling \$116.9 million. Expected delivery dates for these units range from third quarter 2006 through fourth quarter 2007. Four development communities are in Southern California; the other is located in Northern California.

BRE owns five land parcels representing 1,362 units of future development, and an estimated aggregate investment of \$402.8 million upon completion. Expected construction starts for four parcels are expected to occur during second half 2006; one is scheduled for the first half of 2007. The land parcels are located in Southern California, Northern California and the Seattle, Washington metro area.

Disposition Activity

On April 28, 2006, BRE announced the formation of a joint venture with a fund advised by JPMorgan Asset Management. Under the terms of the agreement, BRE contributed seven properties with 2,184 units located in the Denver, Colorado, and Phoenix, Arizona, markets, the total value of which is approximately \$235 million. BRE holds a 15% interest in the joint venture and fee-manages the seven properties.

The company recorded a gain on sale of approximately \$38.3 million, or \$0.72 per share. The company used the net proceeds of approximately \$200 million to pay down its floating rate unsecured credit facility.

In second quarter 2006, BRE closed two sales of excess land in Bellevue, Washington and Anaheim, California, totaling \$22.2 million, with an aggregate gain of \$3.5 million. The gain is included in Other income and contributed \$0.07 per share to both FFO and EPS.

Financial and Other Information

At June 30, 2006, BRE's combination of debt and equity resulted in a total market capitalization of approximately \$4.6 billion, with a debt-to-total market capitalization ratio of 31%. The company's outstanding debt of \$1.4 billion carried a weighted average interest rate of 6.25% for the six-month period. BRE's coverage ratio of Adjusted EBITDA to interest expense was 2.7 times for the quarter. The weighted average maturity for outstanding debt is 4.34 years. At June 30, 2006, outstanding borrowings under the company's unsecured and secured lines of credit totaled \$255 million, with a weighted average interest cost of 5.82%.

For second quarter 2006, cash dividend payments to common shareholders totaled \$26.5 million, or \$0.5125 per share, which represents an increase of 2.5% over prior year per share dividend levels.

Earnings Outlook

At July 31, 2006, 13 analysts contributed annual FFO estimates for BRE to First Call ranging from \$2.48 to \$2.57, for a consensus average of \$2.51.

The company is raising its 2006 earnings guidance, as follows:

- FFO guidance has been revised to a range of \$2.60 to \$2.67, from a range of \$2.44 to \$2.56.
- EPS has been revised to a range of \$1.70 to \$1.77, from a range of \$0.99 to \$1.11.

At the midpoint of the guidance range, the company's FFO estimate reflects the impact of the land sales recorded during the second quarter, plus stronger than expected operating results, which may be offset by higher interest expense.

The company's EPS estimate reflects the gains recognized from property dispositions recorded during the second quarter.

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.

Q2 2006 Analyst Conference Call

The company will hold a conference call on Tuesday, August 1 at 8:30 a.m. Pacific (11:30 a.m. Eastern) 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# 1871721. A telephone replay of the call will be available for 30 days at 800.642.1687 or 706.645.9291 international, using the same ID# 1871721. A link to the live webcast of the call will be posted on www.breproperties.com, in Investors, on the Corporate Profile page. A webcast replay will be available for one month following the call.

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 78 apartment communities totaling 21,978 units in California, Arizona, Washington and Colorado. The company currently has 10 other properties in various stages of development and construction, totaling 2,701 units, and joint venture interests in nine additional apartment communities, totaling 2,661 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," "seeks" "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 nonrenewal 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 Revenue 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, or SEC. 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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