

SUMMIT PROPERTIES INC  
Form 10-K  
March 12, 2004

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003 Commission file number 1-12792

SUMMIT PROPERTIES INC.  
(Exact name of registrant as specified in its charter)

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Maryland	56-1857807
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

309 East Morehead Street  
Suite 200  
Charlotte, North Carolina 28202  
(Address of principal executive offices)

(704) 334-3000  
(Registrant's telephone number, including area code)

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Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value \$.01 per share	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes  No 

The aggregate market value of the Registrant's Common Stock, par value \$.01 per share, held by nonaffiliates of the Registrant, as of June 30, 2003 was \$519,212,449.

The number of shares of the Registrant's Common Stock, par value \$.01 per share, outstanding as of March 9, 2004 was 31,382,366.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Registrant's 2004 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Form 10-K, are incorporated by reference herein as portions of Part III of this Form 10-K.

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## PART I

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Our actual results could differ materially from those set forth in the forward-looking statements. Certain factors that might cause such a difference are discussed in this report on Form 10-K, including the section entitled "Forward-Looking Statements" on page 35. Unless the context otherwise requires, all references to "we," "our" or "us" in this report refer collectively to Summit Properties Inc., a Maryland corporation ("Summit"), and its subsidiaries, including Summit Properties Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"), considered as a single enterprise. Summit is the sole general partner of the Operating Partnership.

## Item 1. Business

## Our Company

Summit is a real estate investment trust ("REIT") that focuses on the development, construction, acquisition and operation of luxury apartment communities. As of December 31, 2003, we owned 46 completed communities comprised of 14,098 apartment homes with an additional 1,687 apartment homes under construction in five new communities. We also own a 25% interest in a joint venture comprised of four completed communities with 1,203 apartment homes. We are a fully integrated organization with multi-family development, construction, acquisition, operation portfolio management and capital markets expertise. As of December 31, 2003, we had approximately 450 employees.

We operate throughout the Southeast and Mid-Atlantic states and have chosen to focus on five markets consisting of Washington, D.C., Southeast Florida, Atlanta, Raleigh and Charlotte. We have established city operating offices in all of our markets. These city offices have direct responsibility for development, construction and management of the communities in their geographic markets. We believe that this decentralized structure provides us with superior local knowledge and experience in each market.

We conduct our business principally through the Operating Partnership of which Summit is the sole general partner and a 90.2% economic owner as of December 31, 2003. Our property management, certain construction and other businesses are conducted through our subsidiaries, Summit Management Company, a Maryland corporation, and Summit Apartment Builders, Inc., a Florida corporation. Throughout this report, we refer to Summit Management Company as the "Management Company" and to Summit Apartment Builders, Inc. as the "Construction Company."

### Company History

We were formed in 1993 to continue and expand the multi-family businesses of the predecessor entities through which we historically conducted operations prior to our initial public offering.

The predecessor entities were founded by one of our Co-Chairmen of the Board, William B. McGuire, Jr., in 1972. In 1981, William F. Paulsen joined the predecessor entity as Chief Executive Officer, shepherded the growth of its multifamily development and management activities and now serves as a Co-Chairmen of our Board of Directors. We have elected to be treated as a REIT for federal income tax purposes. We completed our initial public offering of common stock on February 8, 1994.

We are a Maryland corporation and a self-administered and self-managed REIT. Our common stock is listed on the New York Stock Exchange (NYSE) under the symbol "SMT." Our executive offices are located at 309 East Morehead Street, Suite 200, Charlotte, North Carolina 28202. Our telephone number is (704) 334-3000 and our facsimile number is (704) 333-8340. We also maintain offices in McLean, Virginia, Ft. Lauderdale, Florida, Atlanta, Georgia and Raleigh, North Carolina.

### The Operating Partnership

The Operating Partnership was formed on January 14, 1994, and is the entity through which principally all of our business is conducted. We control the Operating Partnership as the sole general partner and as the holder of 90.2% of the common units of limited partnership interest in the Operating Partnership as of December 31, 2003. As of December 31, 2003, the Operating Partnership also had outstanding 2.2 million Series C Cumulative Redeemable Perpetual Preferred Units. As the sole general partner of the Operating Partnership, we have the exclusive power to manage and conduct the business of the Operating Partnership, subject to certain voting rights of holders of units of limited partnership interest. Subject to the rights and preferences of the outstanding preferred units, our general and limited partnership interests in the Operating Partnership as of December 31, 2003, entitled us to share in 90.2% of the cash distributions from, and in the profits and losses of, the Operating Partnership.

Each common unit may be redeemed by the holder for cash equal to the fair market value of a share of our common stock or, at the election of the Operating Partnership, one share of our common stock, subject to adjustment. The Operating Partnership presently determines on a case-by-case basis whether to cause us to issue shares of common stock in connection with a redemption of common units rather than paying cash. With each redemption of common units for common stock, our percentage ownership interest in the Operating Partnership will increase. Similarly, when

we acquire a share of common stock under our common stock repurchase program or otherwise, we simultaneously dispose of one common unit of the Operating Partnership. In addition, whenever we issue shares of common stock for cash, we will contribute any resulting net proceeds to the Operating Partnership and the Operating Partnership will issue an equivalent number of common units to us.

The Operating Partnership cannot be terminated, except in connection with a sale of all or substantially all of our assets, for a period of 99 years from the date of formation without a vote of the limited partners of the Operating Partnership.

#### Competition

Within each market, our communities compete directly with other rental apartments, condominiums, townhomes and detached single-family homes that are available for rent or sale. These housing alternatives could adversely affect our ability to increase or maintain our rents and occupancy. In addition, various entities, including insurance companies, pension and investment funds, partnerships, investment companies and other multifamily REITs, compete with us for the acquisition of existing communities and the development of new communities, some of which may have greater resources than us. We compete against these firms and other housing alternatives by stressing customer service as well as excellence in product location, design and quality.

#### Environmental Matters

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real estate may be required, in many instances regardless of knowledge or responsibility, to investigate and remediate the effects of hazardous or toxic substances or petroleum product releases at that property. The owner or operator of real estate may be held liable to a governmental entity or to third parties for property damage and for investigation and remediation costs incurred by those parties in connection with the contamination, which may be substantial. The presence of these substances, or the failure to properly remediate the contamination, may adversely affect the owner's ability to borrow against, sell or rent that property. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. In connection with the ownership, operation, management and development of our communities and other real properties, we may be potentially liable for these damages and costs.

Certain federal, state and local laws, ordinances and regulations govern the removal, encapsulation and disturbance of asbestos-containing materials ("ACMs") when these materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. These laws, ordinances and regulations may impose liability for release of ACMs and may provide for third parties to seek recovery from owners or operators of real properties for personal injury associated with ACMs. In connection with the ownership, operation, management and development of our communities and other real properties, we may be potentially liable for these costs.

Finally, when moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed. Concern about indoor exposure to mold has been increasing as exposure to mold may cause a variety of health effects and symptoms, including severe allergic or other reactions. As a result, the presence of mold at any of our communities could require us to undertake a costly remediation program to contain or remove the mold from the affected community. Such a remediation program could necessitate the temporary relocation of some or all of the community's residents or the complete rehabilitation of the community. In addition, the presence of significant mold could expose us to liability from residents and others if property damage or health concerns arise.

Assessments of our communities have not revealed any environmental liability that we believe would have a material adverse effect on our business, assets, financial condition or results of operations, nor are we aware of any other environmental conditions which would have a material adverse effect. It is possible, however, that our assessments do not reveal all environmental liabilities or that there are material environmental liabilities of which we are unaware. Moreover, there can be no assurance that future laws, ordinances or regulations will not impose any material environmental liability, or that the current environmental condition of our communities will not be affected by residents, the condition of land or operations in the vicinity of the communities, such as the presence of underground storage tanks, or third parties unrelated to us. In addition, environmental liabilities could develop at communities sold for which we may have liability.

\* \* \* \* \*

We maintain a website at [www.summitproperties.com](http://www.summitproperties.com). We make available, free of charge, on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and exhibits and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission (the "SEC"). Our reports filed with, or furnished to, the SEC are also available on the SEC's website at [www.sec.gov](http://www.sec.gov).

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## Item 2. Properties

### Our Communities

As of December 31, 2003, we owned, and operated through the Operating Partnership, 46 completed communities with 14,098 apartment homes. The average age of our completed communities is approximately six years. All of our communities target middle to upper income apartment residents as customers and have amenities consistent with the desires of this resident population. We have an additional 1,687 apartment homes under construction in five communities. As of December 31, 2003, we also held a 25% ownership interest in four completed communities with 1,203 apartment homes through a joint venture. The following is a summary of the 46 completed communities by market (the table below does not include joint venture communities):

	Number of Communities	Number of Apartment Homes	% of Total Revenues
Washington, D.C.	10	3,294	25.1%
Atlanta, Georgia	11	3,579	23.1%
Raleigh, North Carolina	8	2,582	18.9%
Charlotte, North Carolina	9	1,901	15.3%
Southeast Florida	6	2,120	12.9%
Philadelphia, Pennsylvania	1	352	2.8%
Orlando, Florida	1	270	1.9%
	<u>46</u>	<u>14,098</u>	<u>100.0%</u>

The following table highlights information regarding these 46 completed communities:

Market Area/Community	Location	Number of Apartments	Year Completed	Average Apartment Size (sq. ft.)	Average Physical Occupancy (%) 2003 (a)	Average Physical Occupancy (%) 2002 (a)	Average Rent per Home Occupied 2003 (b)	Average Rent per Home Occupied 2002 (b)	Mortgage Notes Payable at December 31, 2003 (000's)
<b>SAME-PROPERTY COMMUNITIES</b>									
<b>(c)</b>									
<b>ATLANTA</b>									
Summit Club at Dunwoody	Atlanta, GA	324	1997	1,007	93.2	91.7	\$ 804	\$ 889	(d)
Summit Deer Creek	Atlanta, GA	292	2000	1,187	88.0	90.1	829	912	-
Summit Glen	Atlanta, GA	242	1992	983	92.0	93.6	781	899	(d)
Summit on the River	Atlanta, GA	352	1997	1,103	92.6	94.3	789	837	(d)
Summit St. Clair	Atlanta, GA	336	1997	969	92.2	93.1	915	984	(d)
Summit Sweetwater	Atlanta, GA	308	2000	1,151	93.6	93.6	717	784	(e)
<b>Total / weighted average</b>		<b>1,854</b>	<b>1997</b>	<b>1,067</b>	<b>92.0</b>	<b>92.8</b>	<b>808</b>	<b>883</b>	
<b>CHARLOTTE</b>									
Summit Ballantyne	Charlotte, NC	400	1998	1,053	92.9	90.9	754	795	(d)
Summit Crossing	Charlotte, NC	128	1985	978	94.7	92.6	587	631	-
Summit Fairview	Charlotte, NC	135	1983	1,036	94.2	93.3	673	707	-
Summit Foxcroft (f)	Charlotte, NC	156	1979	940	94.5	93.6	608	637	\$ 6,900
Summit Grandview	Charlotte, NC	266	2000	1,145	93.6	90.6	1,127	1,174	(e)
<b>(g)</b>									
Summit Norcroft	Charlotte, NC	216	1997	1,126	94.1	94.8	696	741	-
Summit Sedgebrook	Charlotte, NC	368	1999	1,017	96.2	94.0	669	692	(e)
Summit Simsbury	Charlotte, NC	100	1985	874	94.4	94.6	670	706	(h)
Summit Touchstone	Charlotte, NC	132	1986	899	97.7	95.5	625	671	(h)
<b>Total / weighted average</b>		<b>1,901</b>	<b>1994</b>	<b>1,032</b>	<b>94.5</b>	<b>92.9</b>	<b>741</b>	<b>778</b>	
<b>ORLANDO</b>									
Summit Hunter's Creek	Orlando, FL	270	2000	1,082	96.1	94.7	784	811	-

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Total / weighted average		270	2000	1,082	96.1	94.7	784	811	
<b>RALEIGH</b>									
Reunion Park by Summit	Raleigh, NC	248	2000	941	92.4	95.1	617	650	-
Summit Governor's Village	Raleigh, NC	242	1999	1,134	93.0	94.3	796	834	(e)
Summit Highland	Raleigh, NC	172	1987	986	96.2	95.5	601	650	-
Summit Lake	Raleigh, NC	446	1999	1,075	94.0	93.5	709	772	(e)
Summit Square	Raleigh, NC	362	1990	925	93.1	91.8	630	703	-
Summit Westwood	Raleigh, NC	354	1999	1,112	95.3	89.6	682	752	(d)
Total / weighted average		1,824	1996	1,034	93.9	92.9	677	735	
<b>S O U T H E A S T FLORIDA</b>									
Summit Aventura	Aventura, FL	379	1995	1,106	95.2	94.4	1,164	1,155	39,480
Summit Del Ray	Delray Beach, FL	252	1993	968	93.1	92.7	852	877	(d)
Summit Doral	Miami, FL	260	1999	1,172	96.0	96.5	1,259	1,258	30,963
Summit Plantation	Plantation, FL	502	1997	1,152	95.4	94.4	1,075	1,067	(d)
Summit Portofino	Broward County, FL	322	1995	1,307	96.1	94.7	1,036	1,088	(e)
Total / weighted average		1,715	1996	1,147	95.2	94.6	1,079	1,092	
<b>WASHINGTON, D.C.</b>									
Summit Ashburn Farm	Loudon County, VA	162	2000	1,061	96.5	96.0	1,101	1,139	-
Summit Belmont	Fredericksburg, VA	300	1987	881	96.6	97.8	848	821	(i)
Summit Fair Lakes	Fairfax, VA	530	1999	996	93.3	93.5	1,257	1,293	48,340
Summit Fair Oaks	Fairfax, VA	246	1990	938	95.4	93.9	1,093	1,109	(e)
Summit Largo	Largo, MD	219	2000	1,042	95.9	95.6	1,285	1,250	(d)
Summit Reston	Reston, VA	418	1987	854	95.8	93.6	1,068	1,082	-
Summit Russett	Laurel, MD	426	2000	1,025	94.6	92.3	1,144	1,126	50,000
Total / weighted average		2,301	1995	963	95.1	94.3	1,123	1,128	
Total / weighted average of same-property communities		9,865	1996	1,044	94.2	93.5	891	927	



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M a r k e t Area/Community	Location	Number of Apartments	Year Completed	Average Apartment Size (sq. ft.)	Average	Average	Average	Average	Mortgage
					Physical Occupancy (%) 2003 (a)	Physical Occupancy (%) 2002 (a)	Rent per Occupied Apartment Home 2003 (b)	Rent per Occupied Apartment Home 2002 (b)	Notes Payable at December, 2003 (000 s)
<b>S T A B I L I Z E D D E V E L O P M E N T COMMUNITIES (j)</b>									
Summit at Lenox (k)	Atlanta, GA	431	1965	963	90.0	94.7	896	986	-
Summit Peachtree City	Atlanta, GA	399	2001	1,026	93.5	70.1	734	759	(e)
Summit Shiloh	Atlanta, GA	232	2002	1,151	95.6	91.9	799	769	(e)
Summit Crest	Raleigh, NC	438	2001	1,129	92.4	84.3	753	797	-
Summit Overlook	Raleigh, NC	320	2001	1,056	93.5	84.2	809	823	22,889
<b>Total / weighted average</b>		<b>1,820</b>	<b>1992</b>	<b>1,057</b>	<b>92.7</b>	<b>84.6</b>	<b>799</b>	<b>834</b>	
<b>ACQUISITION COMMUNITIES (l)</b>									
Summit Brickell (m)	Miami, FL	405	2003	937	80.3	-	1,214	-	-
S u m m i t Lansdowne (n)	Loudon County, VA	690	2002	1,006	-	-	-	-	-
<b>Total / weighted average</b>		<b>1,095</b>	<b>2003</b>	<b>981</b>	<b>80.3</b>	<b>-</b>	<b>1,214</b>	<b>-</b>	
<b>Total / weighted average of stabilized communities</b>		<b>12,780</b>	<b>1996</b>	<b>1,041</b>	<b>93.5</b>	<b>89.3</b>	<b>887</b>	<b>882</b>	
<b>COMMUNITIES IN LEASE -UP (o)</b>									
S u m m i t Brookwood	Atlanta, GA	359	2002	906	79.8	22.9	-	-	-
S u m m i t Stockbridge	Atlanta, GA	304	2003	1,009	54.8	5.4	-	-	-
S u m m i t Valleybrook	Philadelphia, PA	352	2002	992	79.5	31.1	-	-	-

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Summit Grandview, Washington, D.C.	105	2002	904	54.3	-	-	-	-
Summit Roosevelt, Washington, D.C.	198	2003	856	55.0	-	-	-	-
Total / weighted average	1,318	2002	945					
<b>T O T A L COMMUNITIES</b>	14,098	1997	1,032					

- (a) Average physical occupancy is defined as the number of apartment homes occupied divided by the total number of apartment homes contained in the communities, expressed as a percentage. Average physical occupancy has been calculated using the average occupancy that existed on Sunday during each week of the period.
- (b) Represents the average monthly net rental revenue per occupied home. Average rental revenue is not shown for the periods during which a community was not stabilized.
- (c) Communities that reached stabilization (93% physical occupancy) at least one year prior to the beginning of the current year.
- (d) Collateral for fixed rate mortgage which had a balance of \$133.0 million as of December 31, 2003.
- (e) Collateral for variable rate secured credit facility which had a balance of \$119.0 million as of December 31, 2003.
- (f) Summit Foxcroft is held by a partnership in which we are the 75% managing general partner.
- (g) The information in the table for Summit Grandview represents data for the apartment homes only. The 75,203 square feet of commercial space at Summit Grandview was 86.1% leased and 75.6% occupied (including the 19,725 square feet occupied by Summit's corporate and leasing offices) as of December 31, 2003.
- (h) Collateral for a fixed rate mortgage which had a balance of \$7.9 million as of December 31, 2003.
- (i) Collateral for letters of credit in an aggregate amount of \$10.6 million which serve as collateral for \$10.3 million in tax-exempt bonds as of December 31, 2003.
- (j) Communities that were stabilized in 2003 but did not stabilize at least one year prior to the beginning of the current year.
- (k) Summit Lenox has recently been undergoing major renovations of both the interior of apartment homes and the exterior of the buildings.
- (l) A community which we have acquired is not considered fully stabilized until owned for one year or more as of the beginning of the current year.

- (m) Summit Brickell was purchased on May 6, 2003. The information in the table represents data for the apartment homes only. The approximately 18,000 square feet of commercial space at Summit Brickell was 56.6% leased and 51.2% occupied as of December 31, 2003.
- (n) Summit Lansdowne was purchased on December 31, 2003. As a result, average physical occupancy and average monthly rental revenue information is not applicable.
- (o) Communities that were in lease-up during 2003. As with any community in lease-up, there are uncertainties and risks. While we have estimated stabilization target dates and rental rates based on what we believe are reasonable assumptions in light of current conditions, there can be no assurance that actual rental rates will not be less than current budgets or that we will not experience delays in reaching stabilization of these communities.
- (p) Summit Grand Parc was completed during the fourth quarter of 2002. The information in the table represents data for the apartment homes only. The 12,500 square feet of commercial space at Summit Grand Parc was 85.6% leased and occupied as of December 31, 2003.

### Item 3. Legal Proceedings

On May 25, 2001, through our joint venture SZF, LLC, a Delaware limited liability company, in which we owned 29.78% until July 3, 2003, on which date we purchased our joint venture partner's 70.22% interest, we entered into an agreement with Brickell View, L.C. ("Brickell View"), a Florida limited liability company, and certain of its affiliates relating to the formation of Coral Way, LLC ("Coral Way"), a Delaware limited liability company, to develop a new community in Miami, Florida. Brickell View agreed to be the developer of that community and certain of its affiliates signed guarantees obligating them to pay certain costs relating to the development (see Note 4 to our audited consolidated financial statements, which accompany this report). On August 12, 2003, we received notice of a suit filed by Brickell View and certain of its affiliates against SZF, LLC and certain Summit entities, including us, the Operating Partnership and the Management Company. The suit relates to the business agreement among the parties in connection with the development and construction of the community by Coral Way. Brickell View and its affiliates allege breach of contract, breach of implied covenant of good faith and fair dealing, breach of fiduciary duties and constructive fraud on the part of SZF, LLC and constructive fraud on the part of the Summit entities. Brickell View seeks both a declaratory judgment that the guarantee agreements have been constructively terminated and unspecified monetary damages. We intend to enforce our rights under the joint venture agreements. Although we may determine to terminate the development agreement based on Brickell View's failure to perform its obligations in accordance with the development agreement, we do not believe that there is any basis for allowing Brickell View or its affiliates to be released from their obligations under the development agreement or the guarantees. We believe that the allegations made by Brickell View and its affiliates are not supported by the facts and we intend to vigorously defend against this suit. On December 19, 2003, we received notice of a demand for arbitration asserted by Bermello, Ajamil & Partners, Inc. against Coral Way, LLC for unpaid architectural fees. In this demand, Bermello, Ajamil & Partners alleges that it is entitled to an increased architectural fee as a result of an increase in the cost of the project. We believe that the allegations made by Bermello, Ajamil & Partners are not supported by the facts, and we will vigorously defend against this claim. Additionally, we intend to assert a cross-claim against Bermello, Ajamil & Partners for damages related to the cost to correct certain structural design defects.

On May 6, 2003, the Operating Partnership purchased certain assets of Brickell Grand, Inc. ("Brickell Grand"), including the community known as Summit Brickell and a note receivable from the developer (see Note 8 to our audited consolidated financial statements, which accompany this report). At the time of purchase, Summit Brickell was subject to a \$4.1 million claim of construction lien filed by the general contractor, Bovis Land Lease, Inc. ("Bovis"), due to Brickell Grand's alleged failure to pay the full amount of the construction costs. Bovis sought to

enforce this claim of lien against Brickell Grand in a suit filed on October 18, 2002 in Miami-Dade County Court, Florida. We have met with Bovis to discuss the validity of its claim and have requested access to its backup documentation. However, Bovis, to date, has failed to honor this request. In mid-2003, litigation with Bovis was temporarily stayed pending mediation. In September 2003, Bovis filed an amended complaint seeking to enforce an increased claim of lien of \$4.6 million. Mediation with Bovis ended unsuccessfully in November 2003. As a result, the litigation is proceeding. As the current owner of Summit Brickell, we are vigorously defending against these

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claims of lien and related litigation. As a result of several items claimed by Bovis in their amended claim of lien, we are asserting a counterclaim for a fraudulent mechanic's lien, as well as counterclaims for breach of contract and breach of warranties. In mid-2003, two subcontractors of Bovis, Commercial Interior Contractors Corp. ("Commercial Interior") and RC Aluminum Industries, Inc. ("RC Aluminum"), also filed separate suits against Brickell Grand and Bovis, among other named parties, to enforce claims of construction lien in the aggregate amount of approximately \$300,000 due to the defendants' alleged failure to pay the full amount of the construction costs. Commercial Interior and RC Aluminum have both resolved their claims with Bovis. As a result, RC Aluminum voluntarily dismissed its suit pursuant to the contractor's bond, and Commercial Interior has reached settlement of its full claim with Bovis.

#### Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of our security holders during the fourth quarter of 2003.

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## PART II

#### Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

##### Market Information and Stockholders

Our common stock began trading on the NYSE on February 8, 1994 under the symbol "SMT." The following table sets forth the quarterly high and low sales prices per share reported on the NYSE during 2003 and 2002:

Quarter	2003		2002	
	Low	High	Low	High
January 1 through March 31	\$ 17.00	\$ 18.75	\$ 21.65	\$ 25.23
April 1 through June 30	18.02	21.15	22.23	25.85
July 1 through September 30	20.00	22.98	19.08	23.13
October 1 through December 31	22.01	24.68	16.72	19.38

On March 9 2004, the last reported sale price of our common stock on the NYSE was \$23.12 and there were 1,186 holders of record of 31,382,366 shares of our common stock.

##### Dividends

We declared a dividend of \$0.3375 per share of common stock for each of the four quarters in 2003, which were paid on May 15, 2003 for the first quarter, August 15, 2003 for the second quarter, November 14, 2003 for the third quarter and February 16, 2004 for the fourth quarter.

We declared a dividend of \$0.4750 per share of common stock for each of the first through third quarters in 2002, which were paid on May 15, 2002 for the first quarter, August 15, 2002 for the second quarter and November 15, 2002 for the third quarter. We declared a dividend of \$0.3375 per share of common stock for the fourth quarter of 2002, which was paid on February 14, 2003.

Future dividends will be declared at the discretion of our Board of Directors and will depend on our actual cash flow, our financial condition, our capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and such other factors as our Board of Directors may deem relevant. Our Board of Directors may modify our dividend policy from time to time.

#### Dividend Reinvestment and Direct Stock Purchase Plan

We have a dividend reinvestment and direct stock purchase plan ("DRIP"). On May 1, 2003, we filed a registration statement under which we registered an additional 4.0 million shares of our common stock that may be issued under the DRIP. On July 11, 2003, we re-activated the stock purchase component of the DRIP, and on August 15, 2003, we re-activated the dividend reinvestment component of the DRIP. Direct stock purchases under the DRIP had been suspended effective October 31, 2002 and dividend reinvestment under the DRIP had been suspended effective November 15, 2002. The DRIP provides both new investors and existing stockholders of our stock with a method to purchase shares of common stock and/or the ability for those stockholders to designate all, a portion or none of the cash dividends on shares of our common stock owned for reinvestment in more shares of our common stock.

#### Employee Stock Purchase Plan

In 1996, we established a non-qualified employee stock purchase plan ("ESPP") which allowed our employees to purchase up to \$25,000 of common stock per year. The price of the shares of the common stock purchased was the lesser of 85% of the closing price of such shares either on (a) the first day of each six month purchase period, or (b) the last day of each six month purchase period. Transactions under the ESPP were suspended effective July 2, 2002.

#### Employee Loan Program

Our Board of Directors believes that ownership of our common stock by our executive officers and certain other qualified employees aligns the interests of these officers and employees with the interests of our stockholders. To this end, our Board of Directors approved, and we instituted, a loan program. As a result of the Sarbanes-Oxley Act of 2002, we are no longer permitted to make loans to our executive officers and, therefore, new issuances to our executive officers under the loan program have been terminated. Under the terms of the loan program, we lent amounts to certain of our executive officers and other qualified employees to (a) finance the purchase of our common stock on the open market at then-current market prices, (b) finance the payment of the exercise price of one or more stock options to purchase shares of our common stock, or (c) finance the annual tax liability or other expenses of an executive officer related to the vesting of shares of common stock which constitute a portion of a restricted stock award granted to the executive officer. The relevant officer or employee has executed a promissory note and security agreement related to each loan extended. Each outstanding note bears interest at a rate established on the date of the note, is full recourse to the officers and employees and is collateralized by the shares of our common stock which are the subject of the loans. If the market price of Summit's common stock falls materially below the price at which the

shares of stock were purchased, the proceeds of the sale of the common stock may not be sufficient to repay the loan. As of December 31, 2003, we had loans receivable in the amount of \$17.4 million which were collateralized by 812,292 shares of our common stock valued at \$19.5 million. We had loans receivable in the amount of \$19.5 million as of December 31, 2002.

## Item 6. Selected Financial Data

The following table sets forth selected consolidated financial and other information on a consolidated historical basis as of and for each of the years in the five-year period ended December 31, 2003. In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which we adopted on January 1, 2002, income statement data for all years presented reflects the reclassification of the results of operations of all communities sold during 2003 and seven of the eight communities sold during 2002 to income from discontinued operations. The eighth community sold during 2002 was properly classified as held for sale prior to January 1, 2002 and its operations have remained in income from continuing operations. This table should be read in conjunction with our consolidated financial statements and related notes which accompany this report, as well as the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this report (amounts in thousands except per share and property information).

### SELECTED FINANCIAL DATA SUMMIT PROPERTIES INC.

	Year Ended December 31,				
	2003	2002	2001	2000	1999
<b>OPERATING INFORMATION:</b>					
<b>Revenues:</b>					
Rental	\$ 130,658	\$ 120,199	\$ 131,220	\$ 126,581	\$ 119,172
Interest and other	13,477	12,103	13,412	14,143	12,142
<b>Total revenues</b>	<b>144,135</b>	<b>132,302</b>	<b>144,632</b>	<b>140,724</b>	<b>131,314</b>
<b>Expenses:</b>					
<b>Property operating and maintenance expenses (before depreciation and amortization)</b>					
Depreciation and amortization	48,303	41,442	41,407	38,927	38,274
Interest and deferred financing cost amortization	36,645	30,553	28,971	26,956	25,330
General and administrative expense	29,804	29,319	34,291	32,413	30,954
	6,941	5,937	6,940	4,752	3,876

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Property management expenses	5,912	4,822	5,534	5,426	4,876
Liability adjustment and expense on compensation plans	581	(101)	(359)	664	597
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	128,186	111,972	116,784	109,138	103,907
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Income from continuing operations before (loss) gain on unconsolidated real estate joint ventures, gain on sale of real estate assets, loss from early extinguishment of debt, impairment loss on technology investments, minority interest of common unitholders in Operating Partnership, dividends to preferred unitholders in Operating Partnership and excess of redemption amount over carrying amount of preferred units	15,949	20,330	27,848	31,586	27,407
(Loss) gain on unconsolidated real estate joint ventures	(326)	(49)	(171)	(399)	104
Gain on sale of real estate assets	73	13,831	34,435	38,718	17,427
Gain on sale of real estate assets- joint ventures	-	4,955	271	-	-
Loss from early extinguishment of debt	-	(103)	-	-	-
Impairment loss on technology investments	-	-	(1,217)	-	-
Minority interest of common unitholders	(344)	(3,032)	(6,279)	(8,128)	(5,273)
Dividends to preferred unitholders	(10,306)	(12,420)	(12,420)	(12,420)	(6,697)
Excess of redemption amount over carrying amount of preferred units	(2,963)	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Income from continuing operations	2,083	23,512	42,467	49,357	32,968
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total discontinued operations	14,248	68,176	14,070	14,517	12,777
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net income	\$ 16,331	\$ 91,688	\$ 56,537	\$ 63,874	\$ 45,745
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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Year Ended December 31,

	2003	2002	2001	2000	1999
Per share data - basic					
Income from continuing operations	\$ 0.08	\$ 0.86	\$ 1.59	\$ 1.87	\$ 1.19
Income from discontinued operations	0.52	2.49	0.53	0.55	0.46
Net income	\$ 0.59	\$ 3.35	\$ 2.11	\$ 2.42	\$ 1.65
Per share data - diluted					
Income from continuing operations	\$ 0.08	\$ 0.85	\$ 1.57	\$ 1.86	\$ 1.19
Income from discontinued operations	0.51	2.47	0.52	0.55	0.46
Net income	\$ 0.59	\$ 3.33	\$ 2.09	\$ 2.41	\$ 1.65
Dividends per share	\$ 1.35	\$ 1.76	\$ 1.85	\$ 1.75	\$ 1.67
Weighted average shares outstanding basic	27,622	27,385	26,789	26,341	27,698
Weighted average shares outstanding diluted	27,771	27,556	27,099	26,542	27,769
Weighted average shares and units outstanding basic	31,119	30,937	30,796	30,697	32,135
Weighted average shares and units outstanding diluted	31,268	31,107	31,106	30,897	32,206

BALANCE SHEET INFORMATION:

	\$	\$	\$	\$	\$
Real estate, before accumulated depreciation	1,493,670	1,410,195	1,407,979	1,425,367	1,286,869
Total assets	1,350,264	1,349,249	1,310,590	1,358,417	1,236,828
Total long-term debt	726,152	702,456	719,345	764,384	650,077
Stockholders' equity	462,523	396,878	349,600	338,677	327,335

OTHER INFORMATION:

Cash flow provided by (used in):

Operating activities	\$ 49,557	\$ 60,898	\$ 65,472	\$ 74,184	\$ 55,955
Investing activities	(28,943)	(8,075)	5,845	(121,305)	(36,841)
Financing activities	(20,511)	(52,483)	(74,057)	46,238	(17,977)
Funds from Operations (1)	\$ 46,004	\$ 60,426	\$ 70,167	\$ 73,342	\$ 70,707
Total completed communities (at end of period) (2)	46	51	54	59	65
Total apartment homes developed (3)	958	866	1,157	1,696	1,650
Total apartment homes acquired	1,095	222	-	490	-
Total apartment homes (at end of period) (2)	14,098	15,428	16,739	17,273	16,765



- (1) Funds from Operations ("FFO"), as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), represents net income (loss) excluding gains from sales of property and extraordinary items, plus depreciation of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures, all determined on a consistent basis in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Effective January 1, 2003, we no longer add back impairment losses when calculating FFO pursuant to NAREIT's clarified FFO definition. Debt extinguishment costs which are recorded in discontinued operations because they were incurred directly as a result of the sale of a community are not specifically addressed by the NAREIT definition. Because of the limitations of the NAREIT FFO definition, we have made an interpretation in applying the definition to maintain consistent treatment with previous years' results. We include such debt extinguishment costs as a component of the community's total gain and, therefore, exclude them in the calculation of FFO. These costs were \$6.5 million, for the year ended December 31, 2003. We believe that this interpretation is consistent with NAREIT's definition. Pursuant to new accounting literature, FFO for 2002 has been adjusted to include debt extinguishment costs related to the loss from early extinguishment of debt that was not associated with an asset sale. Our methodology for computing FFO may differ from the methodologies utilized by other real estate companies and, accordingly, may not be comparable to other real estate companies. FFO should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of financial performance, nor is it indicative of funds available to fund our cash needs, including our ability to make dividend or distribution payments. We believe that FFO is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an understanding of our ability to incur and service debt and to make capital expenditures.

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Below is a reconciliation of net income to FFO for each of the years in the five-year period ended December 31, 2003.

	2003	2002	2001	2000	1999
Net income	\$ 16,331	\$ 91,688	\$ 56,537	\$ 63,874	\$ 45,745
Minority interest of Unitholders	2,056	11,823	8,359	10,520	7,317
Gain on sale of real estate assets	(18,893)	(78,738)	(34,435)	(38,510)	(17,427)
Gain on sale of real estate assets - joint ventures	-	(4,955)	(271)	-	-
Gain on sale of real estate assets - Management Company	-	-	-	(238)	-
Loss from early extinguishment of debt associated with asset sales	6,522	208	-	-	-
Depreciation:					
Real estate assets	39,225	39,281	38,746	36,413	34,324

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Real estate joint venture	763	1,119	1,231	1,283	748
Funds from Operations	\$ 46,004	\$ 60,426	\$ 70,167	\$ 73,342	\$ 70,707

- (2) Represents the total number of completed communities and apartment homes in those completed communities owned at the end of the period (excludes joint venture communities).
- (3) Represents the total number of apartment homes in communities completed during the period and owned at the end of the period (excludes joint venture communities).

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

Unless the context otherwise requires, all references to "we," "our" or "us" in this report refer collectively to Summit Properties Inc., a Maryland corporation ("Summit"), and its subsidiaries, including Summit Properties Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"), considered as a single enterprise. Summit is the sole general partner of the Operating Partnership.

Executive Summary

Summit is a self-administered real estate investment trust that focuses on the operation, development and acquisition of luxury apartment communities in select neighborhoods throughout the Southeast and Mid-Atlantic United States. We focus our efforts in five markets which consist of Washington, D.C., Southeast Florida, Atlanta, Raleigh and Charlotte. As of December 31, 2003, our portfolio consisted of 46 completed communities comprising 14,098 apartment homes; four communities owned in a joint venture, comprised of 1,203 apartment homes; and five apartment communities with 1,687 apartment homes in various stages of development.

Our income from continuing operations is generated primarily from operations of our apartment communities. The changes in operating results from period to period reflect changes in existing community performance and changes in the number of apartment homes due to development, acquisition, or disposition of communities. To better understand our overall operating performance, our communities have been categorized in five "status" groups. A community that we have acquired is deemed "same-property" when we have owned it for one year or more as of the beginning of the current year. We consider a community to be "stabilized" when it has attained a physical occupancy level of at least 93%. A community that we have developed is deemed "same-property" when stabilized for at least one year as of the beginning of the current year. A community is deemed to be a "stabilized development" community when stabilized as of the beginning of the current year but not the entire prior year. A "lease-up" community is defined as one that has commenced rental operations but was not stabilized as of the beginning of the current year. As of December 31, 2003, we had 9,865 same-property apartment homes in 34 communities, 1,095 acquisition apartment homes in two communities, 1,820 stabilized development apartment homes in five communities and 1,774 lease-up apartment homes in seven communities.

In 2001, we began experiencing weakening apartment fundamentals due to the downturn of the national economy as well as declining economic conditions in our markets. As a result, local demand for apartment homes has declined due to lower job growth and/or job losses, primary drivers of apartment demand, which has led to lower rental rates in order to achieve increased occupancy rates. Additionally, the low interest rate environment has produced record home

sales which, when combined with the slowing economy, has reduced the number of prospective residents. The low interest rate environment has also provided the opportunity for developers to continue to add to the supply of apartments in our markets.

During 2003, we developed and implemented a rent optimization software program. This program will help us manage revenue by allowing us to set daily rents on apartment homes as they become available for rental. Automating the balance between vacancy and rents provides a more efficient method to pricing and will be a valuable tool to ensure that our properties are being managed to their greatest rental revenue producing potential.

Looking forward, we view the primary risk to our business as continued economic malaise in our markets. However, we believe that fundamentals in our markets have stabilized. Our markets produced 102,000 new jobs during the twelve months ended January 2004 which we expect will drive future demand. Among our five markets, the fundamentals in our Washington, DC and South Florida markets are the strongest, and we expect pricing power to return to these markets first. Fundamentals are not as strong in the Atlanta, Charlotte and Raleigh markets, and, accordingly, we expect it will take longer for pricing power to gain momentum in these markets. Additionally, permit issuance in 2003 was at a six-year low and we expect that this will result in a decreased supply of competitive apartment homes. We will continue to closely monitor and act upon key market dynamics by making disciplined strategic investments, sound operating decisions, and prudent financial measures.

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#### Critical Accounting Policies

We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). A summary of our significant accounting policies is disclosed in Note 3 to our consolidated financial statements, which are included in this annual report. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. We consider critical accounting policies to be those policies that have the most impact on the reporting of our financial condition and those requiring significant judgments and estimates. Our critical accounting policies relate to cost capitalization and asset impairment evaluation.

#### Cost Capitalization

Expenditures directly related to the acquisition, development and improvement of real estate assets are capitalized at cost as land, buildings and improvements or furniture, fixtures and equipment in accordance with Statement of Financial Accounting Standards ("SFAS") No. 67, "Accounting for Costs and Initial Rental Operations of Real Estate Projects." These amounts are depreciated over estimated useful lives determined by management. Determining whether expenditures meet the criteria for capitalization and the assignment of depreciable lives requires our management to exercise significant judgment. Improvements are categorized as either non-recurring or recurring capitalized expenditures. Non-recurring capitalized expenditures primarily consist of major renovations and upgrades of apartment homes. Recurring capitalized expenditures consist primarily of exterior painting, new appliances, vinyl flooring, blinds, tile, wallpaper and carpet. Repairs and maintenance, such as landscaping maintenance, interior painting and cleaning and supplies used in such activities, are expensed as incurred and we do not accrue for such costs in advance. In addition, we have a group of employees responsible for the supervision of our capital expenditure projects and capitalize a portion of their direct costs. The amounts capitalized depend on the level of such activities.

During the development and construction of a new community, we capitalize all direct and indirect costs, including interest related to apartment construction and certain operational costs for communities under construction and in

lease-up. Included in these costs is management's estimate of the portion of internal costs that are incremental and considered related to such development activities. The amounts capitalized depend on the timing of such activities. Interest costs are capitalized in accordance with SFAS No. 34, "Capitalization of Interest Cost," based on the ratio of those units available for rental to the total number of units in the community and depreciated over the lives of the constructed assets. We capitalize the cost of our development department efforts to projects currently under construction, currently at a rate of 3.0% of such construction assets. Such costs are then depreciated over the lives of the constructed assets upon their completion. We treat each unit in an apartment community separately for capitalization and expense recognition purposes, resulting in a proration of interest and operational costs in a development community between costs that are capitalized or expensed. As units become available for their intended use, we cease capitalization of interest and operational costs on those units based on the ratio of those units available for rental to the total number of units in the community.

#### Asset Impairment Evaluation

We record our real estate assets to be held and used at cost, less accumulated depreciation, unless considered impaired. If events or circumstances indicate that the carrying amount of a community may be impaired, we will assess its recoverability by estimating the undiscounted future cash flows of the community. If our recoverability assessment results in an indication of impairment for communities to be held and used, or if a community is considered to be held for sale, then we determine the community's fair value. Applying capitalization rates to a community's property operating income is a widely used measure of fair value. Determining appropriate capitalization rates requires significant judgment and is generally based on the prevailing rate for the submarket in which the community is located. Capitalization rates can fluctuate due to changes in the general economy or within specific submarkets. If the actual capitalization rate for a community varies significantly from management's estimate, the impairment evaluation may be significantly affected. For assets to be held and used, if the carrying amount exceeds the undiscounted future cash flows, we would recognize an impairment loss to the extent the carrying amount exceeds the estimated fair value of the community and such loss would be included in income from

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continuing operations. Assets to be disposed of are recorded at the lower of carrying amount or fair value less cost to sell. An impairment loss will be recognized for any write-down to fair value less cost to sell and reported in the discontinued operations section of the consolidated statements of earnings.

In accordance with SFAS No. 144, we present operating results of communities we consider held for sale, as well as those sold, in discontinued operations in our consolidated statements of earnings prospectively from the date of adoption, which was January 1, 2002. Although the adoption of SFAS No. 144 did not have a material impact on our financial position or results of operations for the year ended December 31, 2003, it did have a significant effect on the comparability of amounts presented from year to year on the consolidated statements of earnings.

#### Results of Operations for the Years Ended December 31, 2003, 2002 and 2001

Net income decreased to \$16.3 million in 2003 from \$91.7 million in 2002 primarily due to a decrease of \$13.8 million in gain on sale of real estate assets in continuing operations, a decrease of \$5.0 million in gain on sale of real estate assets - joint ventures and a decrease of \$46.1 million in gain on disposition of discontinued operations. Net income increased to \$91.7 million in 2002 from \$56.5 million in 2001 primarily due to an increase in gain on disposition of discontinued operations of \$64.9 million and an increase in gain on sale of real estate assets - joint ventures of \$4.7 million offset by a decrease in gain on sale of real estate assets in continuing operations of \$20.6 million.

Income from continuing operations before loss on unconsolidated real estate joint ventures, gain on sale of real estate assets, loss from early extinguishment of debt, impairment loss on technology investments, minority interest of common unitholders in the Operating Partnership, dividends to preferred unitholders in the Operating Partnership and excess of redemption amount over carrying amount of preferred units decreased to \$15.9 million in 2003 from \$20.3 million in 2002. The primary factors causing this decrease are a \$6.1 million increase in depreciation expense, a \$1.0 million increase in general and administrative expenses, a \$1.0 million increase in Management Company expenses and a \$938,000 increase in amortization of deferred financing costs, all offset by a \$4.5 million increase in property operating income from our communities in continuing operations. See the four sections entitled, "Operating Performance of our Same-Property, Acquisition, Stabilized Development and Lease Up Communities" on pages 21 through 23 and the section entitled, "Other Income and Expenses" on page 26 of this report for an explanation of these changes.

The same measure decreased to \$20.3 million in 2002 from \$27.8 million in 2001. The primary factors causing this decrease are a \$12.3 million decrease in property operating income from continuing operations and an increase in depreciation expense of \$1.6 million due to depreciation on development and acquisition communities, offset by a decrease of \$4.9 million in interest expense due to a decrease in average indebtedness outstanding and a decrease in our average interest rate.

We evaluate community performance based on growth of property operating income, which is defined as rental and other property revenues less property operating and maintenance expense. We believe that property operating income is a meaningful measure for an investor's analysis of community performance as it represents the most consistent, comparable operating performance among our communities. Depreciation is a fixed cost not controllable by our property management staff and not all communities are encumbered by financing instruments. Therefore, all property operating and maintenance expense amounts in this Management's Discussion and Analysis section are presented before depreciation, interest and amortization. Property operating income does not include any allocation of corporate overhead. You should not consider property operating income as an alternative to net income (determined in accordance with GAAP) as an indication of our financial performance or as an alternative to cash flows from operating activities (determined in accordance with GAAP), as a measure of our liquidity. Our calculation of property operating income may differ from the methodology and definition used by other apartment companies, and accordingly, may not be comparable to similarly entitled measures used by other apartment companies.

A community's average physical occupancy is defined as the number of apartment homes occupied divided by the total number of apartment homes contained in the community, expressed as a percentage. Average physical occupancy has been calculated using the average of the occupancy that existed on Sunday during each week of the period. Average rent per occupied apartment home represents collected rent per occupied apartment home. Our methodology for calculating average physical occupancy and average rent per occupied apartment home may differ from the methodology used by other apartment companies and, accordingly, may not be comparable to other apartment companies.

A summary of our apartment homes (excluding joint ventures) for the years ended December 31, 2003, 2002 and 2001 is as follows:

	2003	2002	2001
Apartment homes at the beginning of the year	15,428	16,739	18,928
Acquisitions	1,095	222	-
Developments which were completed during the year	958	866	-

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Sale of apartment homes	(2,927)	(2,399)	(2,189)
Apartment homes at the end of the year	14,554	15,428	16,739

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The operating performance of our communities (excluding joint venture communities) is summarized below (dollars in thousands):

	Year Ended December 31,			Year Ended December 31,		
	2003	2002	% Change	2002	2001	% Change
Property revenues:						
Same-property communities	\$ 106,047	\$ 109,226	-2.9%	\$ 127,201	\$ 133,824	-4.9%
Acquisition communities	3,991	-	100.0%	1,111	-	100.0%
Stabilized development communities	16,947	16,477	2.9%	10,672	10,349	3.1%
Lease-up communities	13,307	2,436	446.3%	15,983	8,217	94.5%
Disposition communities	20,033	45,340	-55.8%	18,512	38,726	-52.2%
Total property revenues	160,325	173,479	-7.6%	173,479	191,116	-9.2%
Property operating and maintenance expenses:						
Same-property communities	35,131	34,358	2.2%	42,048	40,656	3.4%
Acquisition communities	1,866	-	100.0%	488	-	100.0%
Stabilized development communities	6,229	5,839	6.7%	3,345	2,989	11.9%
Lease-up communities	5,076	980	418.0%	5,844	2,415	142.0%
Disposition communities	8,447	16,384	-48.4%	5,836	11,750	-50.3%
Total property operating and maintenance expenses	56,749	57,561	-1.4%	57,561	57,810	-0.4%
Property operating income:						
Same-property communities	70,916	74,868	-5.3%	85,153	93,168	-8.6%

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Acquisition communities	2,125	-	100.0%	623	-	100.0%
Stabilized development communities	10,718	10,638	0.8%	7,327	7,360	-0.4%
Lease-up communities	8,231	1,456	465.3%	10,139	5,802	74.8%
Disposition communities	11,586	28,956	-60.0%	12,676	26,976	-53.0%
Property operating income	103,576	115,918	-10.6%	115,918	133,306	-13.0%
Interest and other income	2,642	2,716	-2.7%	2,716	2,922	-7.0%
Management fees - third party communities	618	787	-21.5%	787	913	-13.8%
Depreciation and amortization expense (continuing and discontinued operations)	(40,319)	(40,234)	0.2%	(40,234)	(39,382)	2.2%
Interest and amortization of deferred financing costs (continuing and discontinued operations)	(33,294)	(35,830)	-7.1%	(35,830)	(41,283)	-13.2%
General and administrative expense	(6,941)	(5,937)	16.9%	(5,937)	(6,944)	-14.5%
Property management - owned communities	(5,271)	(4,297)	22.7%	(4,297)	(4,931)	-12.9%
Property management - third party communities	(641)	(525)	22.1%	(525)	(603)	-12.9%
Loss on real estate joint ventures	(326)	(49)	565.3%	(49)	(171)	-71.3%
Gain on sale of real estate assets (continuing and discontinued operations)	18,893	78,738	-76.0%	78,738	34,435	128.7%
Gain on sale of real estate assets - joint ventures	-	4,955	-100.0%	4,955	271	1728.4%
Loss from early extinguishment of debt associated with asset sales	(6,522)	(311)	1997.1%	(311)	-	-100.0%
Impairment loss on technology investments	-	-	0.0%	-	(1,217)	100.0%
Impairment loss on discontinued operations	(759)	-	-100.0%	-	-	0.0%
Minority interest of common unitholders						

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Operating Partnership Dividends to preferred unitholders in	(2,056)	(11,823)	-82.6%	(11,823)	(8,359)	41.4%
Operating Partnership Excess of redemption amount over carrying amount of preferred units	(10,306)	(12,420)	17.0%	(12,420)	(12,420)	0.0%
	(2,963)	-	100%	-	-	100%
Net income	\$ 16,331	\$ 91,688	-82.2%	\$ 91,688	\$ 56,537	62.2%

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Operating Performance of our Same-Property Communities

The operating performance of our same-property communities is summarized below (dollars in thousands, except average monthly rental revenue). The comparison of 2003 to 2002 includes those communities and apartment homes that were considered same-property as of December 31, 2003. The comparison of 2002 to 2001 includes those communities and apartment homes that were considered same-property as of December 31, 2002. The change in number of communities and apartment homes is the result of the disposition of communities during 2003 as well as the movement of a community which would have been stabilized development or lease-up in a prior year to the same-property category.

	Year Ended December 31,			Year Ended December 31,		
	2003	2002	% Change	2002	2001	% Change
Property revenues:						
Rental	\$ 98,651	\$ 101,850	-3.1%	\$ 118,546	\$ 124,670	-4.9%
Other	7,396	7,376	0.3%	8,655	9,154	-5.5%
Total property revenues	106,047	109,226	-2.9%	127,201	133,824	-4.9%
Property operating expenses:						
Personnel	8,667	8,290	4.5%	9,679	9,024	7.3%
Advertising and promotion	1,276	1,244	2.6%	1,815	1,474	23.1%
Utilities	5,224	5,151	1.4%	5,860	6,145	-4.6%
Building repairs and maintenance	4,820	5,003	-3.7%	6,190	6,259	-1.1%
Real estate taxes and insurance	13,591	12,928	5.1%	16,543	15,600	6.0%
Other operating expense	1,553	1,742	-10.8%	1,961	2,154	-9.0%
Total property operating expenses	35,131	34,358	2.2%	42,048	40,656	3.4%



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Property operating income	\$ 70,916	\$ 74,868	-5.3%	\$ 85,153	\$ 93,168	-8.6%
Average physical occupancy	94.2%	93.5%	0.7%	93.4%	92.9%	0.5%
Average rent per occupied apartment home	\$ 889	\$ 926	-4.0%	\$ 895	\$ 946	-5.4%
Number of apartment homes	9,865	9,865		12,060	12,060	
Number of apartment communities	34	34		40	40	

Property revenues declined from 2002 to 2003 primarily due to continued weakening fundamentals in our markets, primarily driven by a decline in job growth and/or an increase in job losses, residents leaving our communities to purchase homes in the low interest rate environment and the new supply of apartment homes added to our markets by builders taking advantage of low interest rates. Concessions at our same-property communities increased by \$1.6 million, or 11.5%, during the year ended December 31, 2003 when compared to the same period in 2002. We believe 2004 is a transition year where we will not experience any significant increase in pricing power.

Personnel costs increased by \$377,000, or 4.5% from 2002 to 2003 due to an increase in staffing levels in 2003 as compared to 2002. Excluding personnel costs, property operating and maintenance expenses increased by 1.5% in 2003 over the same period in 2002. Insurance costs increased by \$448,000, or 29.2%, during 2003 when compared to 2002 due to an increase in insurance rates with our May 2003 renewal as well as obtaining terrorism insurance on certain of our communities. As a percentage of total property revenue, total property operating and maintenance expenses for our same-property communities increased to 33.1% in 2003 from 31.5% in 2002.

Property revenues decreased from 2001 to 2002 due to weakening fundamentals in our markets primarily driven by a decline in job growth and/or an increase in job losses, residents leaving our communities to purchase homes in the low interest rate environment and the new supply of apartment homes added to our markets by builders taking advantage of low interest rates. Concessions at our same-property communities increased by \$8.2 million, or 49.5% in 2002 when compared to 2001.

Property operating and maintenance expenses increased by 3.4% from 2001 to 2002 primarily due to an increase in advertising costs, personnel costs and insurance costs. The increase in advertising costs is primarily due to a 158% increase in fees paid to locator companies for assistance in referring residents to our communities. Personnel costs increased primarily due to an 11.7% increase in group insurance costs from 2001 to 2002. Insurance costs increased primarily due to an increase in property liability insurance costs of 64.8%. As a percentage of total property revenue, total property operating and maintenance expenses for our same-property communities increased to 33.0% in 2002 from 30.4% in 2001.

On May 6, 2003, the Operating Partnership purchased certain assets of Brickell Grand, Inc., including the community known as Summit Brickell and a note receivable from the developer, located in Miami, Florida for \$59.4 million. Summit Brickell contains 405 apartment homes and approximately 18,000 square feet of retail space. On December 31, 2003, we purchased Summit Lansdowne, located in Loudon County, Virginia, for \$99.2 million. Summit Lansdowne contains 690 apartment homes.

On July 1, 2002, we acquired Summit San Raphael which has 222 apartment homes (Summit San Raphael was sold during 2003). There were no community acquisitions during 2001. The operating performance of our acquisition communities is summarized below (dollars in thousands except average monthly rental revenue):

	Year Ended December 31,		Year Ended December 31,	
	2003	2002	2002	2001
Property revenues:				
Rental	\$ 3,826	\$ -	\$ 1,062	\$ -
Other	165	-	49	-
Total property revenues	3,991	-	1,111	-
Property operating expenses	1,866	-	488	-
Property operating income	\$ 2,125	\$ -	\$ 623	\$ -
Average physical occupancy	80.3%	-	93.2%	-
Average rent per occupied apartment home	\$ 1,214	\$ -	\$ 890	\$ -
Number of apartment homes	1,095	-	222	-

#### Operating Performance of our Stabilized Development Communities

The comparison of the years ended December 2003 and 2002 represents five communities with a total of 1,820 apartment homes (Summit Crest, Summit at Lenox, Summit Overlook, Summit Peachtree City and Summit Shiloh) which were stabilized during the entire year ended December 31, 2003, but were stabilized subsequent to January 1, 2002. Summit Lenox is an existing community with 431 apartment homes that has recently been undergoing major renovations. Its operating results are included in results of stabilized development communities as it has not yet reached stabilization after renovation.

The comparison of the years ended December 31, 2002 and 2001 represents two communities with a total of 857 apartment homes (Summit Russett and Summit Lenox).

The operating performance of our stabilized development communities is summarized below (dollars in thousands except average monthly rental revenue):

Year Ended December 31,      Year Ended December 31,

