UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2012

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

COMMISSION FILE NUMBER: 1-13136

HOME PROPERTIES, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND	**16-1455126**
(State of incorporation)	(I.R.S. Employer Identification No.)

850 Clinton Square, Rochester, New York 14604

(Address of principal executive offices)(Zip Code)

Registrant s telephone number, including area code: **(585) 546-4900**

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

Title of each class	**Name of each exchange on which registered**
Common Stock, $0.01 par value	New York Stock Exchange

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

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No x

Indicate by checkmark 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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K ((§229.405 of this chapter) 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 checkmark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer or a smaller reporting company. See definition of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of the 48,992,495 shares of common stock held by non-affiliates was $3,006,179,493 based on the closing sale price of $61.36 per share on the New York Stock Exchange on June 30, 2012.

As of February 14, 2013, there were 51,535,219 shares of common stock, $0.01 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Part Into Which Incorporated
Proxy Statement for the Annual Meeting of Stockholders to be held on April 30, 2013	Part III

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HOME PROPERTIES, INC.

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PART I

Forward-Looking Statements

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Our actual results could differ materially from those set forth in each forward-looking statement. Certain factors that might cause such a difference are discussed in this report, including in the section entitled Forward-Looking Statements on page 56 of this Form 10-K.

Item 1. Business

The Company

Home Properties, Inc. (Home Properties or the Company) was formed in November 1993, as a Maryland corporation and is a self-administered and self-managed real estate investment trust (REIT) that owns, operates, acquires, develops and rehabilitates apartment communities. The Company s properties are regionally focused, primarily in selected Northeast and Mid-Atlantic regions of the United States. The Company completed an initial public offering of 5,408,000 shares of common stock (the IPO) on August 4, 1994 and is traded on the New York Stock Exchange (NYSE) under the symbol HME . The Company is included in Standard & Poor s MidCap 400 Index.

The Company conducts its business through Home Properties, L.P. (the Operating Partnership), a New York limited partnership, and a management company, Home Properties Resident Services, Inc. (HPRS), which is a Maryland corporation. At December 31, 2012, the Company held 83.2% (81.8% at December 31, 2011) of the limited partnership units in the Operating Partnership (UPREIT Units).

Home Properties, through its affiliates described above, as of December 31, 2012, owned and operated 121 communities with 42,635 apartment units (the Communities or the Properties).

The Properties are concentrated in the following market areas:

Market Area	Communities	Apartment Units
Suburban Washington, D.C.	32	13,161
Baltimore, MD	23	10,477
Suburban New York City	28	7,225
Philadelphia, PA	17	5,067

Boston, MA	12	3,303
Chicago, IL	7	2,566
Southeast Florida	2	836
Totals	121	42,635

The Company s mission is to maximize long-term shareholder value by acquiring, repositioning, developing and managing market-rate apartment communities while enhancing the quality of life for its residents and providing employees with opportunities for growth and accomplishment. Our vision is to be a prominent owner and manager of market-rate apartment communities, located in selected high barrier, high growth, East Coast markets. The areas we have targeted for growth are the suburbs of Baltimore, Boston, New York City, Philadelphia and Washington, D.C. We expect to maintain or grow portfolios in markets that profitably support our mission as economic conditions permit.

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The Company (continued)

The Company s long-term business strategies include:

- proactively managing and improving its communities to achieve increased net operating income;
- acquiring additional apartment communities with attractive returns at prices that provide a positive spread over the Company s long-term cost of capital;
- limited development of new apartment communities on entitled land, on land adjacent to existing owned communities, and, where there are density opportunities, to replace existing garden apartments with mid-rise structures;
- disposing of properties that have reached their potential, are less efficient to operate, or are located in markets where growth has slowed to a pace below that of the markets targeted for acquisition; and
- maintaining a strong and flexible capital structure with cost-effective access to the capital markets.

Structure

The Company was formed in November 1993 as a Maryland corporation and is the general partner of the Operating Partnership. On December 31, 2012, it held an 83.2% partnership interest in the Operating Partnership comprised of: a 1.0% interest as sole general partner; and an 82.2% limited partner interest through its wholly owned subsidiary, Home Properties I, LLC, which owns 100% of Home Properties Trust, which is the limited partner. The holders of the remaining 16.8% of the UPREIT Units are certain individuals and entities who received UPREIT Units as consideration for their interests in entities owning apartment communities purchased by the Operating Partnership, including certain officers of the Company.

The Operating Partnership is a New York limited partnership formed in December 1993. Holders of UPREIT Units in the Operating Partnership may redeem an UPREIT Unit for one share of the Company s common stock or cash equal to the fair market value at the time of the redemption, at the option of the Company. Management expects that it will continue to utilize UPREIT Units as a form of consideration for a portion of its acquisition properties when it is economical to do so.

HPRS is wholly owned by the Operating Partnership, and as a result, the accompanying consolidated financial statements include the accounts of both companies. HPRS is a taxable REIT subsidiary under the Tax Relief Extension Act of 1999.

In September 1997, Home Properties Trust (QRS) was formed as a Maryland real estate trust and as a qualified REIT subsidiary. The QRS is wholly owned by Home Properties I, LLC which is owned 100% by the Company. The QRS is a limited partner of the Operating Partnership and holds all of the Company s interest in the Operating Partnership, except for the 1% held directly by the Company as sole general partner.

The Company currently has approximately 1,200 employees and its executive offices are located at 850 Clinton Square, Rochester, New York 14604. Its telephone number is (585) 546-4900.

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Operating Strategies

The Company will continue to focus on enhancing long-term investment returns by:

- acquiring apartment communities and repositioning them for long-term growth at prices that provide a positive spread over the Company s long-term cost of capital;
- complementing its core acquisition and repositioning strategy by developing a limited number of new apartment units;
- recycling assets by disposing of properties in low growth markets and those that have reached their potential or are less efficient to operate due to size or remote location;
- balancing its decentralized property management philosophy with the efficiencies of centralized support functions and accountability including rent optimization and volume purchasing;
- enhancing the quality of living for the Company s residents by improving annually the service and physical amenities available at each community in an environmentally responsible manner;
- adopting new technology so that the time and cost spent on administration can be minimized while the time spent attracting and serving residents can be maximized;
- continuing to utilize its written Pledge of customer satisfaction that is the foundation on which the Company has built its brand recognition; and
- focusing on reducing expenses while constantly improving the level of service to residents.

The Company has a strategy of acquiring and repositioning mature C to B- apartment properties. Since its 1994 IPO, the Company has acquired and repositioned 219 communities, containing more than 61,000 units. The rehabilitation and revitalization process targets a minimum 10% return on repositioning investments. It is expected that capital expenditures in 2013 on repositioning investments will decrease slightly from 2012 levels, which were the highest in the Company s history, as residents demonstrated a preference for an upgraded apartment at a higher monthly rent in a recovering economic environment. Extensive experience and expertise in repositioning has helped the Company build significant internal design and construction management skills. The complete repositioning of a community can take place over a five to seven year period. The comprehensive process typically begins with improvements in landscaping, signage and common areas. Exterior improvements increase curb appeal and marketability of the property. Deferred maintenance is corrected, which can include new HVAC systems, roofs, balconies and windows. At many properties, community centers and swimming pools are added or upgraded. Apartment interiors are renovated when residents move out, with the most significant investments made in upgrading kitchens and baths. Complete remodeling of dated kitchens and bathrooms typically includes new appliances, flooring, counters, cabinets, lighting, tile, fixtures, sinks, bathtubs and toilets. It may include the removal of kitchen walls to open up the living area. When feasible, in-unit washers and dryers are added. Repositioning efforts upgrade properties that were C to B- level when acquired to the B to B+ level, which, over time, significantly increases the property s rental income, net operating income and market value.

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Acquisition, Development and Sale Strategies

The Company s strategy is to grow primarily through acquisitions in the suburbs of major metropolitan markets that are near public transportation and major highways, have significant barriers to new construction, limited new apartment supply, easy access to the Company s headquarters and enough apartments available for acquisition to achieve a critical mass. Targeted markets also possess other characteristics, including acquisition opportunities below replacement costs, a mature housing stock, high average single-family home prices, a favorable supply/demand relationship, stable or moderate job growth, reduced vulnerability to economic downturns and large prime renter populations including immigrants and young adults in their twenties and early thirties. The Company currently expects its growth will be focused primarily within suburban sub-markets of selected metropolitan areas within the Northeast and Mid-Atlantic regions of the United States where it has already established a presence. The largest metropolitan areas the Company will focus on include Baltimore, Boston, New York City, Philadelphia and Washington, D.C. The Company may expand into new markets that possess the characteristics described above although it has no current plans to do so. Continued geographic specialization is expected to have a greater impact on operating efficiencies versus widespread accumulation of properties. The Company will continue to pursue the acquisition of individual properties as well as multi-property portfolios. It may also consider strategic investments in other apartment companies, as well as strategic alliances, such as joint ventures.

During 2012, the Company acquired three communities with a total of 2,018 units for an aggregate consideration of $298 million, or an average of approximately $148,000 per apartment unit. The weighted average expected first year capitalization rate for the acquired communities was 5.9%. Capitalization rate (cap rate) is defined as the rate of interest used to convert the first year expected net operating income (NOI) less a 2.7% management fee into a single present value. NOI is defined by the Company as rental income and property other income less operating and maintenance expenses. Two acquisitions were in suburban Washington, D.C.; and one was in the suburb of Baltimore.

The Company believes that it will have the opportunity to make acquisitions during 2013 and has projected $200 million to $300 million in purchases for the year.

The Company has the ability to develop new market-rate communities. It plans to engage in development activity only in markets in which it is currently doing business in order to add net asset value and supplement future earnings and growth. It expects to develop new apartment communities on entitled land and on land adjacent to existing Properties, as well as to increase the density of units at some communities currently owned. The Company plans to continue construction of one project started in late 2011 and another started in the second quarter of 2012. The Company plans to spend approximately $120 million on development in 2013. There are no additional construction starts planned for 2013.

After not selling any communities in both 2010 and 2011, the Company closed on the sale of six communities in 2012 with a total of 1,596 units for approximately $160 million, resulting in a weighted average unlevered internal rate of return (IRR) of 14.1% over the ownership period of these six communities. IRR is defined as the discount rate at which the present value of the future cash flows of the investment is equal to the cost of the investment. The Company has specifically identified additional communities for sale in 2013 and will continue to evaluate the sale of its communities. The Company expects to dispose of between $200 million and $300 million of properties for the year. Typically, a property will be targeted for sale if management is of the opinion that it has reached its potential or if it is located in a slower growth market or is less efficient to operate. After many years of being a net acquirer, for 2013 the Company is looking to create a better balance, with an equal range targeted of acquisitions and dispositions. Property sale proceeds add another significant source of capital, reducing reliance on debt and equity sources.

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Financing and Capital Strategies

The Company intends to continue to adhere to the following financing policies:

- maintaining a ratio of debt-to-total market capitalization (total debt of the Company as a percentage of the value (using the Company s internally calculated Net Asset Value (NAV per share) of outstanding diluted common stock, the UPREIT Units, plus total debt)) of approximately 42% or less;

- utilizing primarily fixed rate debt;

- varying debt maturities to avoid significant exposure to interest rate changes upon refinancing; and

- maintaining a line of credit so that it can respond quickly to acquisition opportunities.

On December 31, 2012, the Company s debt was approximately $2.8 billion and the debt-to-total market capitalization ratio was 42.2% based on the year-end closing price of the Company s common stock of $61.31. The weighted average interest rate on the Company s mortgage debt as of December 31, 2012 was 5.06% and the weighted average maturity was approximately five years. Debt maturities are staggered, with an average 10.9% of loans maturing each of the next nine years. The range is from a high of 22.7% in 2016 (includes line facility bank term loan) to a low of 2.9% in 2014. As of December 31, 2012, the Company had a $275 million unsecured line of credit facility with M&T Bank and U.S. Bank National Association (acting as joint lead banks) and nine other participating commercial banks with $162.5 million outstanding on the line of credit.

To further strengthen the Company s balance sheet and increase its financial flexibility, during 2012 the Company pursued certain capital market initiatives as follows:

- The Company increased the level of the value of unencumbered properties in relationship to the total property portfolio from 33% to 39%. This higher level adds flexibility, allowing the Company to place additional unsecured financing if desired, or increase secured borrowing on unencumbered assets.

- The Company benefits from its multifamily focus as the Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac are still very active lending to apartment owners. However, no secured debt was added during 2011 or 2012, except for one small loan assumed in conjunction with a property acquisition. The Company paid off approximately $42 million of mortgage debt in 2012 with a weighted average interest rate of 6.79%.

- The Company sold 2.4 million shares of common stock through its at-the-market (ATM) equity offering program, generating $145 million in net proceeds.

- In 2011, the Company entered into a five-year unsecured term loan for $250 million that bears monthly interest at 1.3% above the one-month LIBOR. On July 19, 2012, the Company entered into interest rate swap agreements that effectively convert the variable LIBOR portion of this loan to a fixed rate, resulting in an effective rate of 1.99% as of December 31, 2012.

- With a focus of adding unsecured debt, in June 2012, the Company issued a private placement note in the amount of $50 million with a seven-year term at a fixed interest rate of 4.16%.

The capital market initiatives described above allowed the Company to achieve stronger key debt and credit metrics at December 31, 2012 versus December 31, 2011 as follows:

- total debt to value was reduced to 45.2% from 46.9%;(1)

- total secured debt to value was reduced to 35.0% from 39.7%;(1)

- interest coverage ratio was increased from 2.5 times to 3.0 times;

- fixed charge coverage ratio was increased from 2.4 times to 2.9 times; and

- value of unencumbered asset pool was increased from $1.9 billion to $2.7 billion; or from 33.3% to 39.0% of total value, respectively.

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(1) As calculated under the terms of the line of credit facility.

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Financing and Capital Strategies (continued)

For 2013, the Company plans to continue to increase the level of the value of unencumbered properties to over 40% of the portfolio, maintaining the debt-to-total market capitalization ratio at a level equal to or slightly less than the level at December 31, 2012 and issuing shares under the current or future ATM programs.

Management expects to continue to fund a portion of its continued growth by taking advantage of its UPREIT structure and using UPREIT Units as currency in acquisition transactions. During 2010, the Company issued $4.8 million worth of UPREIT Units as partial consideration for one acquired property. During 2011 and 2012, no UPREIT Units were used as consideration for acquired properties. It is difficult to predict the level of demand from sellers for this type of transaction. In periods when the Company s stock price is trading at a discount to estimated NAV, it is unlikely that management would engage in UPREIT transactions.

In 1997, the Company s Board of Directors (the Board) approved a stock repurchase program under which the Company can repurchase shares of its outstanding common stock and UPREIT Units. Shares or units may be repurchased through the open market or in privately-negotiated transactions. The Company s strategy is to opportunistically repurchase shares at a discount to its estimated NAV, thereby continuing to build value for long-term shareholders. The last year where the Company repurchased any shares under this program was 2008. At December 31, 2012, there was approval remaining to purchase 2.3 million shares. Management does not anticipate making additional share repurchases in 2013.

Competition

The Company s properties are primarily located in developed areas where there are other multifamily properties which directly compete for residents. There is also limited competition from single family homes and condominiums for sale or rent. The competitive environment may have a detrimental effect on the Company s ability to lease apartments at existing and at newly developed properties, as well as on rental rates.

In addition, the Company competes with other real estate investors in seeking property for acquisition and development. These competitors include pension and investment funds, insurance companies, private investors, local owners and developers, and other apartment REITs. This competition could increase prices for properties that the Company would like to purchase and impact the Company s ability to achieve its long-term growth targets.

The Company believes, however, that it is well-positioned to compete effectively for both residents and properties as a result of its:

- focus on service and resident satisfaction, as evidenced by both The Home Properties Pledge, which provides a money-back service guarantee and lease flexibility, and by its resident turnover ratio which is consistently below the industry average;

- ability to issue UPREIT Units in purchase transactions, which provides sellers with the opportunity to defer taxes; and
- unique repositioning strategy that differentiates the Company from its competitors.

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Market Environment

The markets in which Home Properties operates could be characterized long term as stable, with moderate levels of job growth. After a recessionary period, starting in 2010 and expected to continue through 2013, many regions of the United States have been experiencing varying degrees of economic recovery resulting in improving job growth for both the country as a whole and the Company s markets.

In 2011, the Company s markets job growth was slightly behind the U.S. average with 0.7% job growth versus 1.3%, respectively. In 2012, the Company s markets job growth continued to lag the U.S. average with a 1.1% growth rate versus 1.4%. However, the unemployment rate for the Company s markets of 6.9% continues to compare favorably to the country average of 7.6%. The Company s Northern VA/DC market continues to experience the lowest unemployment rate of 5.2% at December 31, 2012. This market represents 30.9% of the Company s total apartment unit count. These favorable comparisons help explain why the Company s markets helped the Company outperform many of its public company multifamily peers on a measurement of same store NOI growth in both 2011 and 2012, producing the fourth best same store NOI growth out of twelve peers each year.

New construction in the Company s markets is low relative to the existing multifamily housing stock and compared to other regions of the country. In 2012, Home Properties markets represented 27.8% of the total estimated existing U.S. multifamily housing stock, but only 18.0% of the country s estimated new supply of multifamily housing units.

The information on the Market Demographics and Multifamily Supply and Demand tables on pages 10 and 11 were compiled by the Company from the sources indicated on the tables. The methods used include estimates and, while the Company feels that the estimates are reasonable, there can be no assurance that the estimates are accurate. There can also be no assurance that the historical information included on the tables will be consistent with future trends.

An analysis of multifamily supply compared to multifamily demand can indicate whether a particular market is tightening, softening or in equilibrium. The fourth to last column in the Multifamily Supply and Demand table on page 11 reflects current estimated net new multifamily supply as a percentage of new multifamily demand for the Company s markets and the United States. For both the Company s markets and the country as a whole, net new supply is low compared to expected new demand. For the country, net new supply represents 66.5% of net new demand, creating an environment where both pricing and/or occupancy will remain stable with room for some improvement. The relationship in the Company s markets is much better, where net new supply after obsolescence is expected to meet only 27.0% of the expected increasing demand for rental housing.

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Market Demographics

CBSA Market Area	% of Company Units	2012 Number of Households	2012 Job Growth	2012 vs. 2011 Job Growth % Change	December 2012 Unemployment Rate	2012 Median Home Value	2012 Multifamily Units as a % of Total Housing Units Stock (5)	2012 Multifamily Housing Stock (6)
Northern VA/DC	30.9%	2,124,902	30,200	1.0%	5.2%	359,142	29.3%	663,573
Baltimore, MD	24.6%	1,045,893	11,700	0.9%	7.0%	262,126	19.6%	223,481
Suburban New York City (1)	16.9%	6,986,610	118,700	1.4%	8.5%	404,713	37.6%	2,857,906
Eastern PA (2)	11.9%	2,600,019	28,200	0.9%	8.4%	210,846	14.9%	416,740
Boston, MA (3)	7.7%	1,994,716	53,800	2.0%	5.9%	564,405	21.3%	462,736
Chicago, IL	6.0%	3,508,312	34,700	0.8%	8.6%	203,997	24.8%	949,813
Southeast Florida (4)	2.0%	2,115,417	1,200	0.1%	8.1%	171,076	39.0%	969,904
Home Properties Markets	100.0%	20,375,869	278,500	1.1%	6.9%	328,277	29.4%	6,544,153
United States		118,582,568	1,857,000	1.4%	7.6%	168,275	17.6%	23,573,720

(1) Suburban New York City is defined for this report as New York-Northern New Jersey-Long Island, NY-NJ-PA Core Based Statistical Area (CBSA).

(2) Eastern Pennsylvania is defined for this report as Philadelphia-Camden-Wilmington, PA-NJ-DE-MD CBSA & Allentown-Bethlehem-Easton PA-NJ CBSA.

(3) Boston, MA is defined for this report as Boston-Cambridge-Quincy, MA CBSA & Portland-South Portland-Biddeford, ME CBSA.

(4) Southeast Florida is defined for this report as Miami-Fort Lauderdale-Miami Beach, FL CBSA.

(5) Based on The Nielsen Company 2012 estimates calculated from the 2000 U.S. Census figures.

(6) 2012 Multifamily Housing Stock is from The Nielsen Company estimates of five or more units based on the 2000 U.S. Census.

Sources: Bureau of Labor Statistics (BLS); The Nielsen Company (formerly Claritas); US Census Bureau - Manufacturing & Construction Div.

Data collected is data available as of January 30, 2013 and in some cases may be preliminary.

BLS is the principal fact-finding agency for the Federal Government in the broad field of labor economics and statistics.

The Nielsen Company is a leading provider of precision marketing solutions and related products and services.

U.S. Census Bureau s parent Federal agency is the U.S. Dept. of Commerce, which promotes American business and trade.

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Multifamily Supply and Demand

CBSA Market Area	Estimated 2012 New Supply of Multifamily (7)	Estimated 2012 Multifamily Obsolescence (8)	Estimated 2012 Net New Multifamily Supply (9)	Estimated 2012 New Multifamily Household Demand (10)	Estimated Net New Multifamily Supply as a % of New Multifamily Demand	Estimated Net New Multifamily Supply as a % of Multifamily Stock	Expected Excess Demand (11)	Expected Excess Revenue Growth (12)
Northern VA/DC	10,450	3,318	7,132	5,902	120.8%	1.1%	(1,230)	(0.2)%
Baltimore, MD	1,945	1,117	828	1,530	54.1%	0.4%	702	0.3%
Suburban New York City (1)	17,160	14,290	2,870	29,769	9.6%	0.1%	26,899	0.9%
Eastern PA (2)	3,300	2,084	1,216	2,803	43.4%	0.3%	1,587	0.4%
Boston, MA (3)	4,145	2,314	1,831	7,643	24.0%	0.4%	5,812	1.3%
Chicago, IL	3,145	4,749	(1,604)	5,740	(27.9)%	(0.2)%	7,344	0.8%
Southeast Florida (4)	7,053	4,850	2,203	312	706.1%	0.2%	(1,891)	(0.2)%
Home Properties Markets	47,198	32,722	14,476	53,699	27.0%	0.2%	39,223	0.6%
United States	262,762	117,869	144,893	217,997	66.5%	0.6%	73,104	0.3%

(1)-(6) see footnotes prior page

(7) Estimated 2012 New Supply of Multifamily = Multifamily permits (2012 figures U.S. Census Bureau, Mfg. & Constr. Div., 5+ permits only) adjusted by the average % of permits resulting in a construction start (estimated at 95%).

(8) Estimated 2012 Multifamily Obsolescence = Estimated 2012 Multifamily Housing Stock multiplied by the estimated % of obsolescence (0.5%).

(9) Estimated 2012 Net New Multifamily Supply = Estimated 2012 New Supply of Multifamily - Estimated 2012 Multifamily Obsolescence.

(10) Estimated 2012 New Multifamily Household Demand = 2012 job growth (Nonfarm, not seasonally adjusted payroll employment figures) (12/31/2011-12/31/2012) multiplied by the expected % of new household formations resulting from new jobs (66.7%) and the % of multifamily households in each market (based on Nielsen estimates).

(11) Expected Excess Demand = Estimated 2012 New Multifamily Household Demand - Estimated 2012 Net New Multifamily Supply.

(12) Expected Excess Revenue Growth = Expected Excess Demand divided by 2012 Multifamily Housing Stock. This percentage is expected to reflect the relative impact that changes in the supply and demand for multifamily housing units will have on occupancy rates and/or rental rates in each market, beyond the impact caused by broader economic factors, such as inflation and interest rates.

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Environmental Matters

As a current or prior owner, operator and developer of real estate, the Company is subject to various federal, state and local environmental laws, regulations and ordinances and also could be liable to third parties as a result of environmental contamination or noncompliance at its properties. See the discussion under the caption, We may incur costs due to environmental contamination or non-compliance that could adversely affect our financial results and reputation in Item 1A, Risk Factors, for information concerning the potential effect of environmental regulations on the Company s operations.

Available Information

The Company s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other reports required by Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (collectively, the Reports), are electronically filed with the Securities and Exchange Commission (SEC). The public may read and copy any materials the Company files with the SEC at the SEC s Public Reference Room at 100 F Street NE, Washington, DC 20549-2521. Please call the SEC at 1-800-732-0330 for further information on the operation of the Public Reference Room. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, which are available without charge. In addition, you can read similar information about the Company at the offices of the NYSE at 20 Broad Street, New York, NY 10005.

Company Website

The Company maintains an Internet website at www.homeproperties.com. The Company provides free-of-charge access to its Reports filed with the SEC, and any amendments thereto, through this website. These Reports are available as soon as reasonably practicable after the Reports are filed electronically with the SEC and are found under Investors/SEC Filings. In addition, a paper copy of the Reports filed with the SEC may be obtained at no charge by contacting the Corporate Secretary, Home Properties, Inc., 850 Clinton Square, Rochester, New York 14604.

Current copies of the Company s Code of Business Conduct and Ethics, Code of Ethics for Senior Financial Officers with Certification, Corporate Governance Guidelines and Charters for the Audit, Compensation, Corporate Governance/Nominating and Real Estate Investment Committees of the Board are also available on the Company s website under the heading Investors/Corporate Overview/Governance Documents Highlights. A copy of these documents is also available at no charge upon request addressed to the Corporate Secretary at Home Properties, Inc., 850 Clinton Square, Rochester, New York 14604.

The reference to our website does not incorporate by reference the information contained in the website and such information should not be considered a part of this report.

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Item 1A. Risk Factors

As used in this section, references to we or us or our refer to the Company, the Operating Partnership, and HPRS, taken as a whole.

Our business is subject to uncertainties and risks. Please carefully consider the risk factors described below, which apply to Home Properties, the Operating Partnership, and HPRS, in addition to other risks and factors set forth in this Form 10-K. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business or prospects. The risk factors we describe contain or refer to certain forward-looking statements. You should review the explanation of the limitations of forward-looking statements contained in the section entitled Forward-Looking Statements on page 56 of this Form 10-K.

Real Estate Investment Risks

We are subject to risks that are part of owning residential real estate.

Real property investments are subject to varying degrees of risk. If our communities do not generate revenues sufficient to meet operating expenses, debt service and capital expenditures, our cash flow and ability to make distributions to our stockholders will be adversely affected. A multifamily apartment community s revenues and value may be adversely affected by general economic conditions (including unemployment); local and regional economic conditions (including population shifts); local and regional real estate considerations (such as oversupply of or reduced demand for apartments); changes in home ownership or condominium affordability; the perception by prospective residents of the convenience and attractiveness of the communities or neighborhoods in which they are located and the quality of local schools and other amenities; and increased operating costs (including real estate taxes and utilities). Certain significant fixed expenses are generally not reduced when circumstances cause a reduction in income from a community.

We depend on rental income for cash flow to pay expenses and make distributions.

We are dependent on rental income from our multifamily properties to pay operating expenses, debt service and capital expenditures, and in order to generate cash to enable us to make distributions to our stockholders. If we are unable to attract and retain residents or if our residents are unable, due to an adverse change in the economic condition of the region or otherwise, to pay their rental obligations, our financial results and our ability to make expected distributions will be adversely affected. In addition, the weather and other factors outside of our control can result in an increase in the operating expenses for which we are responsible.

Attractive acquisitions may not be available and acquisitions we may be able to make may fail to meet expectations.

We plan to continue to selectively acquire apartment communities that meet our investment criteria. We expect that other real estate investors, including insurance companies, pension funds, other REITs and other well-capitalized investors will compete with us to acquire existing properties and to develop new properties. This competition could increase prices for properties of the type we would likely pursue and adversely affect our growth and profitability. If we are able to make acquisitions, there are risks that those acquisitions will perform less favorably than we expect. Our estimates of future income, expenses and the costs of improvements or redevelopment that are necessary to allow us to operate an acquired property as originally intended may prove to be inaccurate. Other acquisition risks include environmental issues, structural issues, competition, economic submarket changes and employment variables.

Real estate investments are relatively illiquid, and we may not be able to respond to changing conditions quickly.

Real estate investments are relatively illiquid and, therefore, we have limited ability to adjust our portfolio quickly in response to changes in economic or other conditions. In addition, the prohibition in the Internal Revenue Code (the Code) on REITs holding property for sale and related regulations may affect our ability to sell properties without adversely affecting distributions to stockholders. A number of our properties were acquired using UPREIT Units and twelve of those properties are subject to certain agreements which may restrict our ability to sell such properties in transactions that would create current taxable income to the former owners.

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Real Estate Investment Risks (continued)

Competition could limit our ability to lease apartments or increase or maintain rents.

Our apartment communities compete with other housing alternatives to attract residents, including other rental apartments, condominiums and single-family homes that are available for rent, as well as new and existing condominiums and single-family homes for sale. Competitive residential housing in a particular area could adversely affect our ability to lease apartment units and to increase or maintain rental rates. The recent challenges in the credit and housing markets have increased single-family housing inventory that may compete with our properties.

Repositioning and development risks could affect our profitability.

A key component of our strategy is to acquire properties and to reposition them for long-term growth. In addition, we have developed and are in the process of developing new apartment communities. We plan to continue to selectively expand our development activities. Development projects generally require various governmental and other approvals, which have no assurance of being received. Our repositioning and development activities generally entail certain risks, including the following:

- funds may be expended and management s time devoted to projects that may not be completed due to a variety of factors, including without limitation, the inability to obtain necessary zoning or other approvals;
- construction costs of a project may exceed original estimates, possibly making the project economically unfeasible or the economic return on a repositioned property less than anticipated;
- projects may be delayed due to delays in obtaining necessary zoning and other approvals, adverse weather conditions, labor shortages, or other unforeseen complications;
- occupancy rates and rents at a completed development project or at a repositioned property may be less than anticipated; and
- the operating expenses at a completed development may be higher than anticipated.

If any of these risks materialized, the effect may negatively impact our financial results and reduce the funds available for distribution to our stockholders. Further, the repositioning and development of properties is also subject to the general risks associated with real estate investments.

Short-term leases expose us to the effects of declining market conditions.

Virtually all of the leases for our properties are short-term leases (generally, one year or less). Typically, our residents can leave after the end of a one-year lease term. As a result, our rental revenues are impacted by declines in market conditions more quickly than if our leases were for longer terms.

An increase in operating expenses, including real estate taxes, would negatively affect our financial results.

Unanticipated increases in real estate taxes and other unanticipated or increased operating expenses cannot always be passed through to residents in the form of higher rents and may adversely affect financial results and our ability to make expected distributions.

A significant uninsured property or liability loss could adversely affect us in a material way.

The Company carries comprehensive liability, fire, extended and rental loss insurance for each of our properties. There are however certain types of extraordinary losses, such as losses for certain natural catastrophes and relating to environmental contamination, for which the Company may not have insurance coverage. If an uninsured loss occurred, we could incur significant expense. As a result of a catastrophic uninsured event impacting an entire

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Real Estate Investment Risks (continued)

property, we could lose our investment in and cash flow from, the affected property, and could be required to repay any indebtedness secured by that property and related taxes and other charges.

The Company is subject to increased exposure to economic and other competitive factors due to concentration of its Properties in certain markets.

At December 31, 2012, approximately 30.9%, 24.6%, 16.9% and 11.9% (on an apartment unit basis) of the Company s Properties are located in the Washington, D.C., Baltimore, Maryland, suburban New York City and Philadelphia geographic areas. The Company s current strategy is to reduce its concentration in the Washington, D.C. market to below 30%. However, geographic concentration could present risks if local property market performance falls below expectations as a result of deteriorating economic conditions or other factors. This could have a negative impact on the Company s financial condition and results of operations, which could adversely affect our ability to make expected distributions.

Insurance costs and policy deductibles expose us to unpredictable expenses which may be material.

The Company s general liability, property and workers compensation policies provide for deductibles and self-insured retention amounts. These deductibles and self-insured retention amounts expose the Company to potential uninsured losses. Management believes that this exposure is justified by savings in insurance premium amounts and, in some cases, was necessary in order for the Company to secure coverage. Depending on the level of claims experienced, insurance coverage may become difficult to obtain at the current premium and expense levels.

Changes in applicable laws, or noncompliance with applicable laws, could adversely affect our operations or expose us to liability.

We must operate our properties in compliance with numerous federal, state and local laws and regulations, including landlord tenant laws and other laws generally applicable to business operations. Noncompliance with laws could expose us to liability.

Compliance with changes in: (i) laws increasing the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; (ii) rent control or rent stabilization laws; or (iii) other governmental rules and regulations or enforcement policies affecting the use and operation of our communities, including changes to building codes and fire and life-safety codes, may result in lower revenue growth or significant unanticipated expenditures.

We may incur costs and increased expenses to repair property damage resulting from inclement weather.

In every market except Florida, we are exposed to risks associated with inclement winter weather, including increased costs for the removal of snow and ice. In addition, in all of our markets, we have exposure to severe storms which also could increase the need for maintenance and repair of our communities.

We may incur increased energy and other costs resulting from the climate change regulations.

The current concerns about climate change have resulted in various treaties, laws and regulations which are intended to limit carbon emissions. The Company believes these laws being enacted or proposed may cause energy and waste removal costs at our properties to increase, but we do not expect the direct impact of these increases to be material to our results of operations. Increased costs relating to energy either would be the responsibility of our residents directly or in large part may be passed through by us to our residents through the utility recovery programs. We may be able to pass increased waste removal costs on to our residents in the form of increased rental rates. If this is not possible, it is still not expected that these additional costs would affect the Company s financial performance in any material way.

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Real Estate Investment Risks (continued)

We may incur costs due to environmental contamination or non-compliance that could adversely affect our financial results and reputation.

Under various federal, state and local environmental laws, regulations and ordinances, we may be required, regardless of knowledge or responsibility, to investigate and remediate the effects of hazardous or toxic substances at our properties and may be held liable under these laws or common law to a governmental entity or to third parties for property, personal injury or natural resources damages and for investigation and remediation costs incurred as a result of the contamination. These damages and costs may be substantial. The presence of such substances, or the failure to properly remediate the contamination, may adversely affect our ability to borrow against, sell or rent the affected property.

The development, construction and operation of our communities are subject to regulations and permitting under various federal, state and local laws, regulations and ordinances, which regulate matters including wetlands protection, storm water runoff and wastewater discharge. Noncompliance with such laws and regulations may subject us to fines and penalties. We do not currently anticipate that we will incur any material liabilities as a result of noncompliance with these laws.

Certain federal, state and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos containing materials (ACMs) when such materials are in poor condition or in the event of renovation or demolition of a building. These laws and the common law may impose liability for release of ACMs and may allow third parties to seek recovery from owners or operators of real properties for personal injury associated with exposure to ACMs. ACMs are present at some of our communities. We implement an operations and maintenance program at each of the communities at which ACMs are detected. We do not currently anticipate that we will incur any material liabilities as a result of the presence of ACMs at our communities.

We are aware that some of our communities have or may have lead paint and have implemented an operations and maintenance program at each of those communities to contain, remove or test for lead paint to limit the exposure of our residents. At some of our properties, we are required by federal law to provide lead-based paint disclosures to our residents. Failure to comply with the federal notification requirement can result in a penalty. We do not currently anticipate that we will incur any material liabilities as a result of the presence of lead-based paint at our communities or the failure to provide disclosures.

Mold growth may occur when excessive moisture accumulates in buildings or on building materials, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Although the occurrence of mold at multifamily and other structures, and the need to remediate such mold, is not a new phenomenon, there has been increased awareness in recent years that certain molds may in some instances lead to adverse health effects, including allergic or other reactions. This has resulted in an increasing number of lawsuits against owners and managers of multifamily properties. Insurance companies have reacted by excluding mold-related claims from existing policies and pricing mold endorsements at prohibitively high rates. We have adopted programs designed to minimize any impact mold might have on our residents or the property. However, if mold should become an issue in the future, our financial condition or results of operations may be adversely affected.

All of the Properties and all of the communities that we are currently developing have been subjected to at least a Phase I or similar environmental assessment, which generally does not involve invasive techniques such as soil or ground water sampling. These assessments, together with subsurface assessments conducted on some of our properties, have not revealed, and we are not otherwise aware of, any environmental conditions that we believe would have a material adverse effect on our business, assets, financial condition or results of operation. There is no assurance that Phase I assessments would reveal all environmental liabilities. In addition, environmental conditions not known to the Company may exist now or in the future which could result in liability to the Company for remediation or fines or to third parties for property or personal injury damages, either under existing laws and regulations or future changes to such requirements.

We occasionally have been involved in managing, leasing and operating various properties for third parties. Consequently, we may be considered to have been an operator of such properties and, therefore, potentially liable for removal or remediation costs or other potential costs which could relate to hazardous or toxic substances. We are not aware of any material environmental liabilities with respect to properties managed by us for such third parties.

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Real Estate Financing Risks

We are subject to general risks related to debt.

We are subject to the customary risks associated with debt financing. For example, if a property is mortgaged to secure payment of indebtedness and we are unable to meet its debt service obligations, the property could be foreclosed upon. This could adversely affect our cash flow and, consequently, the amount available for distributions to stockholders.

We may not be able to obtain refinancing at favorable rates.

Because a significant amount of our financing is not fully self-amortizing, we anticipate that only a portion of the principal of our indebtedness will be repaid prior to maturity. So, we will need to refinance debt. Accordingly, there is a risk that we will not be successful in refinancing existing indebtedness or that the terms of such refinancing will not be as favorable as the terms of the existing indebtedness. We aim to stagger our debt maturities with the goal of minimizing the amount of debt which must be refinanced in any year.

As of December 31, 2012, we had approximately $2.2 billion of mortgage debt, a significant portion of which is subject to balloon payments. We do not expect to have cash flows from operations to make all of these balloon payments. The mortgage debt matures as follows:

2013	$	190 million
2014		75 million
2015		255 million
2016		344 million
2017		265 million
Thereafter		1,036 million

Financing may not be available and issuing equity could dilute our stockholders interests.

Our ability to execute our business strategy depends on our access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing, including common and preferred equity. Debt or equity financing may not be available in sufficient amounts, or on favorable terms or at all. If we issue additional equity securities to finance developments and acquisitions instead of incurring debt, the interests of our existing stockholders could be diluted.

Potential reduction or elimination of the role that Fannie Mae and Freddie Mac play in the multifamily financing sector may negatively impact the multifamily sector and our ability to obtain financing.

Fannie Mae and Freddie Mac (the GSEs) are a major source of financing for secured multifamily real estate. We and other multifamily companies depend in part on the GSEs to finance growth by purchasing or guarantying apartment loans. In 2011, the Obama administration released a report proposing that the GSEs be gradually eliminated. The report proposed three possible courses for long-term reform of housing finance. A final decision by the government to eliminate the GSEs or to change their mandate may adversely affect interest rates and capital availability. In 2012, the Company added only $7 million of secured debt assumed in connection with an acquisition. Instead we added $50 million of unsecured debt and increased outstandings on our unsecured line of credit by $160 million. This demonstrates the Company s declining reliance on the GSEs. In addition, management believes, based on the positive performance of the multifamily sector and its low mortgage default rate, that other sources of financing would enter the market such as pension funds and insurance companies.

Real Estate Financing Risks (continued)

The Company in part relies on its line of credit to meet its short-term liquidity requirements.

As of December 31, 2012, the Company had an unsecured line of credit agreement of $275 million with an initial maturity date of December 8, 2015, and a one-year extension, at the Company s option. The Company had $162.5 million outstanding under the credit facility on December 31, 2012.

The credit agreement relating to the line of credit requires the Company to maintain certain financial covenants, ratios and measurements. Maintaining compliance with these covenants could limit our flexibility. In addition, a default in these requirements, if uncured, could result in a termination of the line of credit and a requirement that we repay outstanding amounts, which could adversely affect our liquidity and increase our financing costs.

Failure to comply with the financial covenants relating to its unsecured debt, could result in a default and early repayment of the loans.

In addition to the line of credit, as of December 31, 2012, the Company had $450 million of unsecured debt outstanding. These loans require the Company to maintain some of the same covenants, ratios and measurements as under the line of credit. A default in any of these requirements could result in a default of these unsecured loans and a requirement that the loan be repaid early. This could adversely affect our liquidity and result in increased borrowing costs.

Rising interest rates could adversely affect operations and cash flow.

As of December 31, 2012, approximately 87% of our debt was at fixed rates. This limits our exposure to changes in interest rates. Prolonged interest rate increases, however, could negatively affect our ability to make acquisitions, to dispose of properties at favorable prices, to develop properties and to refinance existing borrowings at acceptable rates.

Failure to hedge effectively against interest rates may adversely affect results of operations.

We may manage our exposure to interest rate volatility by using interest rate hedging arrangements, such as interest rate cap agreements and rate swap agreements. These agreements involve risks, such as the risk that the counterparties may fail to honor their obligations under these arrangements and that these arrangements may reduce the benefits to us if interest rates decline. Failure to hedge effectively against interest rate changes could have a negative impact on our financial performance and our ability to make distributions to our shareholders and pay amounts due on our debt.

There is no legal limit on the amount of debt we can incur.

The Board has adopted a policy of limiting our indebtedness to approximately 55% of our total market capitalization (with the equity component of total market capitalization based on the per share NAV presented to our Board at its most recent Board meeting), but our organizational documents do not contain any limitation on the amount or percentage of indebtedness we may incur. Accordingly, the Board could alter or eliminate its current policy on borrowing. If this policy were changed, we could become more highly leveraged, resulting in an increase in debt service that could adversely affect our ability to make expected distributions to stockholders and increase the risk of default on our indebtedness. Our NAV fluctuates based on a number of factors. Our line of credit agreement limits the amount of indebtedness we may incur.

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Federal Income Tax Risks

There is no assurance that we will continue to qualify as a REIT.

We believe that we have been organized and have operated in such manner so as to qualify as a REIT under the Internal Revenue Service Code, commencing with our taxable year ended December 31, 1994. A REIT generally is not taxed at the corporate level on income it currently distributes to its shareholders as long as it distributes currently at least 90% of its taxable income (excluding net capital gains). No assurance can be provided, however, that we have qualified or will continue to qualify as a REIT or that new legislation, Treasury Regulations, administrative interpretations or court decisions will not significantly change the tax laws with respect to our qualification as a REIT or the federal income tax consequences of such qualification.

We are required to make certain distributions to qualify as a REIT, and there is no assurance that we will have the funds necessary to make the distributions.

In order to continue to qualify as a REIT, we currently are required each year to distribute to our stockholders at least 90% of our taxable income (excluding net capital gains). In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which certain distributions made by us with respect to the calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income for that year, and any undistributed taxable income from prior periods. We intend to make distributions to our stockholders to comply with the 90% distribution requirement and to avoid the nondeductible excise tax and will rely for this purpose on distributions from the Operating Partnership. However, differences in timing between taxable income and cash available for distribution could require us to borrow funds or to issue additional equity to enable us to meet the 90% distribution requirement (and, therefore, to maintain our REIT qualification) and to avoid the nondeductible excise tax. The Operating Partnership is required to pay (or reimburse us, as its general partner, for) certain taxes and other liabilities and expenses that we incur, including any taxes that we must pay in the event we were to fail to qualify as a REIT. In addition, because we are unable to retain earnings (resulting from REIT distribution requirements), we will generally be required to refinance debt that matures with additional debt or equity. There can be no assurance that any of these sources of funds, if available at all, would be available to meet our distribution and tax obligations.

Our failure to qualify as a REIT would have adverse consequences.

If we fail to qualify as a REIT, we will be subject to federal and state income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. In addition, unless entitled to relief under certain statutory provisions, we will be disqualified from treatment as a REIT for the four taxable years following the year during which REIT qualification is lost. The additional tax burden on us would significantly reduce the cash available for distribution by us to our stockholders. Our failure to qualify as a REIT could reduce materially the value of our common stock and would cause all our distributions to be taxable as ordinary income to the extent of our current and accumulated earnings and profits (although, subject to certain limitations under the Code, corporate distributees may be eligible for the dividends received deduction with respect to these distributions).

The Operating Partnership intends to qualify as a partnership but there is no guaranty that it will qualify.

We believe that the Operating Partnership qualifies as a partnership for federal income tax purposes. No assurance can be provided, however, that the Internal Revenue Service (the IRS) will not challenge its status as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were to be successful in treating the Operating Partnership as an entity that is taxable as a corporation, we would cease to qualify as a REIT because the value of our ownership interest in the Operating Partnership would exceed 5% of our assets and because we would be considered to hold more than 10% of the voting securities of another corporation. Also, the imposition of a corporate tax on the Operating Partnership would reduce significantly the amount of cash available for distribution to its limited partners. Finally, the classification of the Operating Partnership as a corporation would cause its limited partners to recognize gain (upon the event that causes the Operating Partnership to be classified as a corporation) at least equal to their negative capital accounts (and possibly more, depending upon the circumstances).

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Other Risks

The loss of members of key personnel could negatively affect the Company s performance.

We depend on the efforts of our executive officers, particularly Edward J. Pettinella, the Company s President and Chief Executive Officer. If he resigned or otherwise ceased to be employed by the Company, operations could be adversely affected. Mr. Pettinella has entered into an Employment Agreement with the Company.

The ability of our stockholders to effect a change of control is limited by certain provisions of our Articles of Incorporation as well as by Maryland law and our executive retention plan.

Our Articles Incorporation, as amended (the Articles of Incorporation), authorize the Board to issue up to a total of 80 million shares of common stock, 10 million shares of excess stock and 10 million shares of preferred stock and to establish the rights and preferences of any shares issued. Further, under the Articles of Incorporation, the stockholders do not have cumulative voting rights.

In order for us to maintain our qualification as a REIT, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of its taxable year. We have limited ownership of the issued and outstanding shares of common stock by any single stockholder to 8.0% of the aggregate value of our outstanding shares.

The percentage ownership limit described above, the issuance of preferred stock in the future and the absence of cumulative voting rights could have the effect of: (i) delaying or preventing a change of control of us even if a change in control were in the stockholders interest; (ii) deterring tender offers for our common stock that may be beneficial to the stockholders; or (iii) limiting the opportunity for stockholders to receive a premium for their common stock that might otherwise exist if an investor attempted to assemble a block of our common stock in excess of the percentage ownership limit or otherwise to effect a change of control of us.

As a Maryland corporation, we are subject to the provisions of the Maryland General Corporation Law. Maryland law imposes restrictions on some business combinations and requires compliance with statutory procedures before some mergers and acquisitions may occur, which may delay or prevent offers to acquire us or increase the difficulty of completing any offers, even if they are in our stockholders best interests. In addition, other provisions of the Maryland General Corporation Law permit the Board of Directors to make elections and to take actions without stockholder approval (such as classifying our Board such that the entire Board is not up for re-election annually) that, if made or taken, could have the effect of discouraging or delaying a change in control.

Also, to assure that our management has appropriate incentives to focus on our business and properties in the face of a change of control situation, we have adopted an executive retention plan which provides some key employees with salary, bonus and some benefits continuation in the event of a change of control.

The future sale of shares under our At-The-Market offering may negatively impact our stock price.

Beginning in 2009, the Company made the necessary filings with the Securities and Exchange Commission to institute the sale of its common shares from time to time in at the market offerings or negotiated transactions (the ATM). As of December 31, 2012, approximately 2.4 million shares remain available under the current filings relating to the ATM. If authorized by its Board of Directors, the Company, in the future could affect additional filings to register additional common shares for sale under the ATM. Sales of substantial amounts of shares of common stock in the public market or the perception that such sales might occur could adversely affect the market price of the common stock.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2012, the Properties consisted of 121 multifamily residential communities containing 42,635 apartment units. In 2012, the Company acquired three communities with a total of 2,018 units in three transactions for total consideration of $298.2 million. Also in 2012, the Company sold six communities in separate transactions with a total of 1,596 units for total consideration of $159.6 million. In 2011, the Company acquired eight communities with a total of 2,817 units in eight transactions for total consideration of $500.7 million.

The Properties are generally located in established markets in suburban neighborhoods and are well maintained and well leased. Average physical occupancy at the Properties was 94.9% for 2012. Physical occupancy is defined as total possible rental income, net of vacancy, as a percentage of total possible rental income. Total possible rental income is determined by valuing occupied units at contract rates and vacant units at market rents. Average economic occupancy at the Properties was 94.0% for 2012. Economic occupancy is defined as total possible rental income, net of vacancy and bad debt expense as a percentage of total possible rental income. The Properties are typically two- and three-story garden style apartment buildings in landscaped settings and a majority are of brick or other masonry construction. The Company believes that its strategic focus on appealing to middle income residents and the quality of the services it provides to such residents results in lower resident turnover. Average turnover at the Properties was approximately 39% for 2012, which is significantly below the national average of approximately 52% for garden style apartments.

Resident leases are generally for a one year term. Security deposits equal to one month s rent or less are generally required.

Certain of the Properties collateralize mortgage loans. See Schedule III contained herein (pages 100 to 102).

The table on the following pages illustrates certain of the important characteristics of the Properties as of December 31, 2012.

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Property Information

Region		# Of Apts	Age In Years	Year Acq/Dev	Average Apt Size (Sq Ft)	(2) 2012 Resident Turnover %	(3) 2012 Average Occupancy %	(3) 2011 Average Occupancy %	(4) 2012 Avg Mo Rent Rate per Apt $	(4) 2011 Avg Mo Rent Rate per Apt $	12/31/2012 Total Cost (000) $
	Core Communities (1)										
FL - Southeast	The Hamptons	668	23	2004	945	45%	95%	95%	$ 1,007	$ 979	$ 74,418
FL - Southeast	Vinings at Hampton Village	168	23	2004	1,171	44%	96%	96%	1,124	1,104	19,195
IL - Chicago	Blackhawk	371	51	2000	804	54%	96%	95%	896	871	26,885
IL - Chicago	Courtyards Village	224	41	2001	765	46%	97%	98%	892	843	19,300
IL - Chicago	Cypress Place	192	42	2000	840	33%	97%	97%	1,008	944	16,648
IL - Chicago	Lakeview Townhomes	120	16	2010	1,080	47%	94%	94%	1,228	1,153	16,741
IL - Chicago	The Colony	783	39	1999	716	43%	97%	97%	897	867	60,393
IL - Chicago	The New Colonies	672	38	1998	674	59%	95%	96%	773	756	39,005
MA - Boston	Gardencrest	695	64	2002	907	35%	97%	96%	1,637	1,548	119,414
MA - Boston	Highland House	172	43	2006	709	33%	97%	96%	1,244	1,170	21,183
MA - Boston	Liberty Commons	120	6	2006	1,075	49%	96%	97%	1,310	1,267	14,929
MA - Boston	Liberty Place	107	24	2006	924	36%	96%	96%	1,508	1,447	18,152
MA - Boston	Redbank Village	500	68	1998	752	43%	97%	96%	941	906	31,669
MA - Boston	Stone Ends	280	33	2003	813	43%	96%	95%	1,310	1,250	42,411
MA - Boston	The Heights at Marlborough	348	39	2006	898	43%	95%	94%	1,250	1,187	59,603
MA - Boston	The Meadows at Marlborough	264	40	2006	822	39%	95%	95%	1,202	1,147	41,549
MA - Boston	The Townhomes of Beverly	204	42	2007	973	39%	96%	96%	1,544	1,485	42,111
MA - Boston	The Village at Marshfield	276	40	2004	766	39%	96%	96%	1,202	1,158	40,498
MA - Boston	Westwoods	35	22	2007	832	26%	97%	97%	1,310	1,232	4,654
MD - Baltimore	Annapolis Roads	282	37	2010	977	38%	92%	90%	1,280	1,258	38,626
MD - Baltimore	Bonnie Ridge	960	46	1999	998	40%	96%	95%	1,142	1,105	88,880
MD - Baltimore	Canterbury	618	34	1999	858	42%	95%	95%	1,007	974	44,386

MD - Baltimore	Charleston Place	858	41	2010	817	33%	96%	97%	1,178	1,130	115,801
MD - Baltimore	Country Village	344	41	1998	773	48%	95%	97%	1,049	993	26,411
MD - Baltimore	Dunfield	312	25	2007	916	46%	95%	96%	1,200	1,153	39,353
MD - Baltimore	Fox Hall	720	36	2007	826	40%	92%	92%	895	870	78,116
MD - Baltimore	Gateway Village	132	23	1999	932	34%	96%	96%	1,368	1,336	12,446
MD - Baltimore	Heritage Woods	164	39	2006	925	43%	96%	97%	1,194	1,136	18,146
MD - Baltimore	Middlebrooke	208	38	2010	834	50%	95%	95%	989	942	20,432
MD - Baltimore	Mill Towne Village	384	39	2001	804	42%	96%	94%	924	904	32,894
MD - Baltimore	Morningside Heights	1,050	47	1998	865	38%	92%	93%	929	896	75,085
MD - Baltimore	Owings Run	504	17	1999	1,064	43%	95%	96%	1,269	1,242	51,165
MD - Baltimore	Ridgeview at Wakefield Valley	204	24	2005	972	53%	96%	95%	1,221	1,208	25,109
MD - Baltimore	Saddle Brooke	468	39	2008	889	43%	94%	93%	1,099	1,036	60,541
MD - Baltimore	Selford	102	25	1999	946	42%	97%	94%	1,409	1,364	9,508
MD - Baltimore	The Coves at Chesapeake	469	30	2006	986	43%	94%	92%	1,286	1,234	77,682
MD - Baltimore	The Greens at Columbia	168	26	2010	969	39%	94%	96%	1,427	1,362	28,183

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Property Information

Region		# Of Apts	Age In Years	Year Acq/Dev	Average Apt Size (Sq Ft)	(2) 2012 Resident Turnover %	(3) 2012 Average Occupancy %	(3) 2011 Average Occupancy %	(4) 2012 Avg Mo Rent Rate per Apt $	(4) 2011 Avg Mo Rent Rate per Apt $	12/31/2012 Total Cost (000) $
MD - Baltimore	Top Field	156	39	2006	1,132	37%	95%	97%	1,315	1,270	23,056
MD - Baltimore	Village Square	370	44	1999	967	41%	96%	96%	1,193	1,166	29,267
MD - Baltimore	Westbrooke	110	51	2010	651	42%	95%	95%	862	823	7,967
NJ - Northern	Barrington Gardens	148	39	2005	837	45%	97%	97%	1,286	1,198	14,219
NJ - Northern	Chatham Hill	308	45	2004	856	42%	95%	95%	1,881	1,764	66,185
NJ - Northern	East Hill Gardens	33	54	1998	694	30%	98%	95%	1,607	1,555	3,623
NJ - Northern	Hackensack Gardens	198	64	2005	552	35%	98%	98%	1,176	1,119	20,611
NJ - Northern	Jacob Ford Village	270	64	2007	744	26%	99%	97%	1,327	1,247	35,579
NJ - Northern	Lakeview	106	63	1998	575	36%	97%	96%	1,431	1,380	10,458
NJ - Northern	Northwood	134	47	2004	850	28%	97%	97%	1,387	1,339	20,480
NJ - Northern	Oak Manor	77	56	1998	1,006	26%	98%	95%	1,890	1,797	9,321
NJ - Northern	Pleasant View	1,142	44	1998	738	37%	96%	96%	1,190	1,151	92,459
NJ - Northern	Pleasure Bay	270	41	1998	803	43%	97%	95%	1,081	1,041	20,653
NJ - Northern	Royal Gardens	550	44	1997	872	32%	97%	96%	1,294	1,246	41,531
NJ - Northern	Wayne Village	275	47	1998	790	27%	97%	97%	1,443	1,402	26,493
NJ - Northern	Windsor Realty	67	59	1998	622	51%	95%	97%	1,324	1,287	6,712
NY - Long Island	Bayview/Colonial	160	45	2000	717	29%	99%	98%	1,312	1,260	16,501
NY - Long Island	Cambridge Village	82	45	2002	725	33%	98%	98%	1,873	1,789	8,846
NY - Long Island	Crescent Club	257	39	2010	876	28%	96%	97%	1,345	1,275	36,096
NY - Long Island	Devonshire Hills	656	44	2001	767	39%	97%	97%	1,641	1,584	126,360
NY - Long Island	Hawthorne Court	434	44	2002	759	34%	97%	97%	1,478	1,439	57,497
NY - Long Island	Heritage Square	80	63	2002	696	40%	98%	98%	1,837	1,744	10,486
NY - Long Island	Holiday Square	144	33	2002	575	21%	99%	96%	1,269	1,223	13,322

NY - Long Island	Lake Grove	368	42	1997	775	38%	96%	96%	1,503	1,442	41,339
NY - Long Island	Mid-Island Estates	232	47	1997	684	32%	99%	98%	1,461	1,402	19,700
NY - Long Island	Sayville Commons	342	11	2005	1,012	19%	97%	97%	1,629	1,590	67,838
NY - Long Island	South Bay Manor	61	52	2000	806	36%	97%	96%	1,684	1,642	8,806
NY - Long Island	Southern Meadows	452	41	2001	813	33%	96%	96%	1,464	1,411	56,289
NY - Long Island	Westwood Village	242	43	2002	917	34%	97%	96%	2,484	2,384	45,861
NY - Long Island	Woodmont Village	97	44	2002	725	40%	96%	97%	1,370	1,325	12,669
NY - Long Island	Yorkshire Village	40	43	2002	766	35%	98%	98%	1,905	1,839	5,054
PA - Philadelphia	Castle Club	158	45	2000	814	41%	94%	94%	1,013	978	17,360
PA - Philadelphia	Glen Manor	174	36	1997	642	38%	95%	96%	821	813	10,334
PA - Philadelphia	Golf Club	399	43	2000	857	48%	95%	94%	1,137	1,094	44,683
PA - Philadelphia	Hill Brook Place	274	44	1999	711	34%	96%	95%	942	905	22,348
PA - Philadelphia	Home Properties of Bryn Mawr	316	61	2000	705	72%	95%	94%	1,435	1,295	40,222
PA - Philadelphia	Home Properties of Devon	631	49	2000	913	40%	94%	94%	1,233	1,148	81,516
PA - Philadelphia	New Orleans Park	442	41	1997	696	44%	95%	95%	898	867	32,027

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Property Information

Region		# Of Apts	Age In Years	Year Acq/Dev	Average Apt Size (Sq Ft)	(2) 2012 Resident Turnover %	(3) 2012 Average Occupancy %	(3) 2011 Average Occupancy %	(4) 2012 Avg Mo Rent Rate per Apt $	(4) 2011 Avg Mo Rent Rate per Apt $	12/31/2012 Total Cost (000) $
PA - Philadelphia	Racquet Club East	466	41	1998	910	37%	95%	95%	1,113	1,061	43,439
PA - Philadelphia	Racquet Club South	103	43	1999	860	41%	95%	95%	945	909	7,811
PA - Philadelphia	Ridley Brook	244	50	1999	796	37%	96%	94%	967	939	17,511
PA - Philadelphia	Sherry Lake	298	47	1998	813	38%	96%	96%	1,271	1,205	32,421
PA - Philadelphia	The Brooke at Peachtree Village	146	26	2005	1,261	30%	97%	96%	1,186	1,138	21,331
PA - Philadelphia	The Landings	384	39	1996	912	37%	96%	96%	1,068	1,012	34,772
PA - Philadelphia	Trexler Park	250	38	2000	919	47%	95%	95%	1,118	1,065	27,231
PA - Philadelphia	Trexler Park West	216	4	2008	1,032	55%	96%	96%	1,372	1,299	26,144
PA - Philadelphia	William Henry	363	41	2000	939	46%	95%	94%	1,194	1,131	46,508
VA - Suburban DC	1200 East West	247	2	2010	839	29%	96%	96%	1,885	1,747	84,598
VA - Suburban DC	Braddock Lee	255	57	1998	749	25%	98%	98%	1,396	1,334	23,025
VA - Suburban DC	Cider Mill	864	34	2002	840	33%	96%	95%	1,192	1,151	103,648
VA - Suburban DC	Cinnamon Run	511	52	2005	966	32%	94%	95%	1,276	1,243	78,441
VA - Suburban DC	East Meadow	150	41	2000	943	36%	97%	98%	1,415	1,354	18,333
VA - Suburban DC	Elmwood Terrace	504	39	2000	910	45%	95%	95%	969	926	35,605
VA - Suburban DC	Falkland Chase	450	75	2003	760	40%	96%	96%	1,440	1,402	69,362
VA - Suburban DC	Mount Vernon Square	1,387	38	2006	847	39%	95%	94%	1,289	1,245	163,727

VA - Suburban DC	Park Shirlington	294	57	1998	840	27%	97%	97%	1,380	1,320	25,539
VA - Suburban DC	Peppertree Farm	879	58	2005	1,020	29%	94%	93%	1,245	1,211	120,511
VA - Suburban DC	Seminary Hill	296	52	1999	901	31%	97%	98%	1,367	1,299	25,168
VA - Suburban DC	Seminary Towers	544	48	1999	911	35%	96%	96%	1,440	1,361	51,028
VA - Suburban DC	Tamarron	132	25	1999	955	30%	96%	95%	1,588	1,537	15,113
VA - Suburban DC	The Apts at Wellington Trace	240	10	2004	1,085	52%	97%	98%	1,394	1,323	32,225
VA - Suburban DC	The Courts at Fair Oaks	364	22	2010	798	43%	96%	96%	1,500	1,439	76,047
VA - Suburban DC	The Manor - MD	435	43	2001	908	28%	96%	95%	1,321	1,282	52,033
VA - Suburban DC	The Manor - VA	198	38	1999	819	44%	97%	98%	1,106	1,037	14,754
VA - Suburban DC	The Sycamores	185	34	2002	858	38%	97%	96%	1,449	1,371	25,646
VA - Suburban DC	Village at Potomac Falls	247	13	2010	940	40%	96%	96%	1,391	1,286	40,254
VA - Suburban DC	Virginia Village	344	45	2001	1,003	38%	97%	98%	1,411	1,334	45,244
VA - Suburban DC	West Springfield	244	34	2002	957	39%	96%	97%	1,556	1,475	41,691
VA - Suburban DC	Westchester West	345	40	2008	985	29%	94%	93%	1,337	1,300	53,088
VA - Suburban DC	Woodleaf	228	27	2004	709	41%	96%	94%	1,284	1,248	25,058
	Core Total/Weighted Avg	36,214	40		858	39%	96%	95%	$ 1,239	$ 1,189	$ 4,232,596
	Redevelopment Communities										
VA - Suburban DC	Arbor Park of Alexandria	851	44	2000	1,038	50%	80%	87%	$ 1,462	$ 1,345	$ 118,744

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Property Information

Region		# Of Apts	Age In Years	Year Acq/Dev	Average Apt Size (Sq Ft)	(2) 2012 Resident Turnover %	(3) 2012 Average Occupancy %	(3) 2011 Average Occupancy %	(4) 2012 Avg Mo Rent Rate per Apt $	(4) 2011 Avg Mo Rent Rate per Apt $	12/31/2012 Total Cost (000) $
	2011 Acquisition Communities (5)										
IL - Chicago	The Gates of Deer Grove	204	38	2011	844	53%	95%	94%	$ 1,042	$ 992	$ 20,902
MA - Boston	The Commons at Haynes Farm	302	21	2011	881	40%	96%	94%	1,288	1,222	43,853
MD - Baltimore	The Apts at Cambridge Court	544	13	2011	900	48%	93%	92%	1,349	1,283	92,238
PA - Philadelphia	Waterview	203	44	2011	776	53%	93%	92%	1,060	1,035	28,157
VA - Suburban DC	Hunters Glen	108	28	2011	822	44%	96%	96%	976	909	8,005
VA - Suburban DC	Newport Village	937	44	2011	1,051	35%	95%	92%	1,553	1,514	209,429
VA - Suburban DC	Somerset Park	108	6	2011	967	44%	97%	95%	1,451	1,388	20,394
VA - Suburban DC	The Courts at Dulles	411	12	2011	991	47%	95%	94%	1,544	1,482	93,796
	2011 Total/Weighted Avg	2,817	26		948	43%	94%	93%	$ 1,385	$ 1,333	$ 516,774
	2012 Acquisition Communities (5)										
MD - Baltimore	Howard Crossing	1,350	44	2012	805	42%	91%	n/a	$ 1,098	n/a	$ 187,425
VA - Suburban DC	The Manor East	164	48	2012	841	46%	94%	n/a	1,057	n/a	17,485
VA - Suburban DC	Woodway at Trinity Centre	504	15	2012	868	56%	96%	n/a	1,374	n/a	96,571
	2012 Construction Communities (6)										
VA - Suburban DC	Courts at Huntington Station	421	1	2011	996	29%	88%	n/a	$ 1,994	n/a	$ 121,893
VA - Suburban DC	The Apts at Cobblestone Square	314		2012	923	14%	84%	n/a	1,270	n/a	48,691

2012 Total/Weighted Avg	2,753	22	861	40%	90%	n/a	$ 1,379	n/a	$ 472,065
Property Total/Weighted Avg	42,635	38	868	39%	95%	95%	$ 1,259	$ 1,201	$ 5,340,179

(1) Core Communities represents the 36,214 apartment units owned consistently throughout 2012 and 2011.

(2) Resident Turnover reflects, on an annual basis, the number of moveouts, divided by the total number of apartment units.

(3) Average % Occupancy is the average physical occupancy for the years ended December 31, 2012 and 2011.

(4) Avg Mo Rent Rate per Apt takes into account resident concessions.

(5) For communities acquired during 2012 and 2011, Average % Occupancy is the average physical occupancy from the date of acquisition.

(6) Courts at Huntington Station construction was completed in 2011 and The Apts at Cobblestone Square was completed in 2012.

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Property Development

The Company has the ability to develop new market-rate communities. It plans to engage in limited development activity only in markets in which it is currently doing business in order to add net asset value and supplement future earnings and growth. It expects to develop new apartment communities on entitled land and on land adjacent to existing Properties, as well as to increase the density of units at some communities currently owned.

Completed developments

- During 2012, the Company completed construction at The Apartments at Cobblestone Square located in Fredericksburg, Virginia, consisting of eight, four-story buildings and a refurbished rail depot, for a total of 314 apartment units. The total cost for this community was $48.6 million. Initial occupancy commenced in the fourth quarter of 2011 and stabilization was achieved as of September 2012.

Current construction projects

- Eleven55 Ripley, a 379 unit high rise development consisting of two buildings, a 21 story high-rise and a 5 story mid-rise, is located in Silver Spring, Maryland. Construction commenced in the fourth quarter of 2011, and is expected to continue through 2014 with initial occupancy in the third quarter of 2013 for a total projected cost of $111 million.

- The Courts at Spring Mill Station, a 385 unit development consisting of two buildings, being built in a combination donut/podium style, is located in Conshohocken, Pennsylvania. Construction commenced in the second quarter of 2012, and is expected to continue through 2014 with initial occupancy in the first quarter of 2014. The total projected cost for this development is $89 million.

Redevelopment

- The Company has one project under redevelopment. Arbor Park, located in Alexandria, Virginia, has 851 garden apartments in fifty-two buildings built in 1967. The Company plans to extensively renovate all of the units over several years on a building by building basis. As of December 31, 2012, there were five buildings with 90 units under renovation and twenty-six buildings with 391 units completed and 290 units occupied. As of December 31, 2012, rents in the renovated units were averaging $1,742 compared to $1,397 for the existing non-renovated units. As of December 31, 2012, the Company has incurred costs of $14 million for the renovation which is included in buildings, improvements and equipment. The entire project is expected to be completed in 2014 for a projected cost of $30 million.

Pre-redevelopment

- Falkland Chase, located in Silver Spring, Maryland, currently has 450 garden apartments constructed between 1936 and 1939. The Company has obtained the necessary approvals to redevelop the North parcel which will allow for an increase of units from 182 to approximately 1,185 units. Active construction for this project has not commenced.

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Supplemental Property Information

At December 31, 2012, none of the Company s properties have an individual net book value equal to or greater than 10% of the total assets of the Company or would have accounted for 10% or more of the Company s aggregate gross revenues for 2012. There is no resident who has one or more leases which, in the aggregate, account for more than 10% of the aggregate gross revenues for 2012.

Item 3. Legal Proceedings

The Company is subject to a variety of legal actions for personal injury or property damage arising in the ordinary course of its business, most of which are covered by insurance. Various claims of employment and resident discrimination are also periodically brought. While the resolution of these matters cannot be predicted with certainty, management believes that the final outcome of such legal proceedings and claims will not have a material adverse effect on the Company s liquidity, financial position or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information, Holders and Dividends

The common stock has been traded on the NYSE under the symbol HME since July 28, 1994. The following table sets forth for the previous two years the quarterly high and low sales prices per share reported on the NYSE, as well as all dividends paid with respect to the common stock.

	High	Low	Dividends
2012			
Fourth Quarter	$ 63.00	$ 56.85	$ 0.66
Third Quarter	$ 66.98	$ 60.93	$ 0.66
Second Quarter	$ 64.20	$ 58.35	$ 0.66
First Quarter	$ 61.25	$ 54.42	$ 0.66
2011			
Fourth Quarter	$ 61.00	$ 52.11	$ 0.62
Third Quarter	$ 67.27	$ 53.89	$ 0.62
Second Quarter	$ 63.72	$ 58.51	$ 0.62
First Quarter	$ 59.00	$ 52.57	$ 0.62

As of February 14, 2013, the Company had approximately 2,915 shareholders of record; 51,535,219 common shares (plus 10,433,628 UPREIT Units convertible into 10,433,628 common shares) were outstanding, and the closing price of the Company s common stock on the NYSE was $61.88. It is the Company s policy to pay dividends. The Company has historically paid dividends on a quarterly basis in the months of February or March, May, August and November.

On February 2, 2013, the Board declared a dividend of $0.70 per share for the quarter ended December 31, 2012. The dividend is payable February 26, 2013 to shareholders of record on February 14, 2013.

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Performance Graph

The following graph compares the cumulative return on the Company s common stock during the five year period ended December 31, 2012 to the cumulative return of the NAREIT All Equity REIT Index (NAREIT Equity) and the Standard and Poor s 500 Index (S&P 500) for the same period. Management believes that the NAREIT Equity is an appropriate industry index and the S&P 500 is a broad equity market index for purposes of this graph. The total return on the Company s common stock assumes that dividends were reinvested quarterly at the same price as provided under the Company s Dividend Reinvestment and Direct Stock Purchase Plan. All comparisons are based on a $100.00 investment on December 31, 2007 and the reinvestment of all dividends during the comparison period. Data for the NAREIT Equity and S&P 500 were provided to the Company by NAREIT. Stockholders should note that past performance does not predict future results.

	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012
HME	$ 100.00	$ 95.83	$ 121.85	$ 148.55	$ 160.78	$ 178.75
NAREIT Equity	$ 100.00	$ 62.27	$ 79.70	$ 101.98	$ 110.42	$ 132.18
S&P 500	$ 100.00	$ 63.00	$ 79.68	$ 91.68	$ 93.61	$ 108.59

Certain of our filings with the SEC may incorporate information by reference future filings, including this Form 10-K. Unless we specifically state otherwise, this Performance Graph shall not be deemed to be incorporated by reference and shall not constitute soliciting material or otherwise be considered filed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

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Issuer Purchases of Equity Securities

The Company has a stock repurchase program, approved by its Board of Directors (the Board), under which it may repurchase shares of its common stock or UPREIT Units (the Company Program). The shares and units may be repurchased through open market or privately negotiated transactions at the discretion of Company management. The Board s action did not establish a specific target stock price or a specific timetable for share repurchase. At December 31, 2012, the Company had authorization to repurchase 2,291,160 shares of common stock and UPREIT Units under the Company Program. During the three months ended December 31, 2012, the Company did not repurchase any shares under the Company Program. The last year where the Company repurchased any shares under that program was 2008.

Participants in the Company s Stock Benefit Plan can use common stock of the Company that they already own to pay: 1) all or a portion of the exercise price payable to the Company upon the exercise of an option; and, 2) the taxes associated with option exercises and the vesting of restricted stock awards. In such event, the common stock used to pay the exercise price or taxes is returned to authorized but unissued status, and for purposes of this table is deemed to have been repurchased by the Company, but does not represent repurchases under the Company Program.

The following table summarizes the total number of shares (units) repurchased by the Company during the quarter ended December 31, 2012:

Period	Total shares/units Purchased (1)	Average price per share/unit	Maximum shares/units available under the Company Program
Balance October 1, 2012:			2,291,160
October 2012		$	2,291,160
November 2012			2,291,160
December 2012	977	59.70	2,291,160
Balance December 31, 2012:	977	$ 59.70	2,291,160

(1) The Company repurchased 977 shares of common stock through share repurchases by the transfer agent in the open market in connection with the Company s 401(k) Savings Plan employee deferral and Company matching elections.

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Item 6. Selected Financial Data

The following table sets forth selected financial and operating data on a historical basis for the Company and should be read in conjunction with the financial statements appearing in this Form 10-K (amounts in thousands, except share, per share and unit data).

	2012	2011	2010	2009	2008
Revenues:					
Rental income	$ 591,933	$ 515,780	$ 457,819	$ 441,645	$ 431,849
Other income (1)	52,415	45,776	40,970	39,705	40,122
Total revenues	644,348	561,556	498,789	481,350	471,971
Expenses:					
Operating and maintenance	235,040	217,069	203,421	199,881	196,338
General and administrative	34,174	29,145	25,138	24,476	25,489
Interest	125,809	127,618	120,652	118,052	114,481
Depreciation and amortization	165,642	140,713	122,772	114,725	106,540
Other expenses (2)	2,741	3,225	2,871		
Total expenses	563,406	517,770	474,854	457,134	442,848
Income from operations before gain on early extinguishment of debt					