ASSOCIATED ESTATES REALTY CORP
Form 424B5
May 31, 2013
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Filed Pursuant to Rule 424(b)(5)

Registration Statement No. 333-187885

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Shares, without par value	7,475,000	$ 17.25	$ 128,943,750	$ 17,588 (1)

(1) Calculated pursuant to Rule 457(r) of the Securities Act of 1933, as amended and relates to the Registrant s registration statement on Form S-3 (File No. 333-187885) filed on April 12, 2013. Pursuant to Rule 415(a)(6), includes previously paid registration fees of $7,457, which was paid with respect to unsold shares under the Registrant s registration statement on Form S-3 (File No. 333-167472).

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PROSPECTUS SUPPLEMENT

(To Prospectus dated April 12, 2013)

6,500,000 Shares

Associated Estates Realty Corporation

Common Shares

We have entered into forward sale agreements with Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, or their affiliates, which we refer to as the forward purchasers. Such forward purchasers, or affiliates thereof, at our request, are borrowing from third parties and selling to the underwriters an aggregate of 6,500,000 of our common shares, without par value. If any forward purchaser or its affiliate does not borrow and sell all of the common shares to be sold by it, we will issue and sell to the underwriters, at the initial price to the public less the underwriting discount, a number of our common shares equal to the number of common shares the forward purchaser or its affiliate does not borrow and sell.

We will not receive any proceeds from the sale of our common shares by the forward purchasers. We expect to settle the forward sale agreements and receive proceeds, subject to certain adjustments, from the sale of those common shares only upon one or more future physical settlements of the forward sale agreements on or about October 1, 2013. If we elect to cash settle the forward sale agreements, we may not receive any proceeds and we may owe cash to the forward purchasers. If we elect to net share settle the forward sale agreements, we will not receive any proceeds, and we may owe common shares to the forward purchasers. See Underwriting Forward Sale Agreements.

Our common shares are listed on the New York Stock Exchange and the Nasdaq Global Market under the symbol AEC. On May 28, 2013, the last reported sale price of our common shares on the New York Stock Exchange was $17.97 per share and on the Nasdaq Global Market was $17.97 per share.

Subject to certain exceptions, our Second Amended and Restated Articles of Incorporation restrict ownership of more than 4% of our common shares in order to protect our status as a real estate investment trust for federal income tax purposes. See Description of Common Shares Restrictions on Ownership in the accompanying prospectus.

Investing in our common shares involves certain risks. Please read Risk Factors beginning on page S-7 of this prospectus supplement and in the reports we file with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, incorporated by reference into this prospectus supplement and the accompanying prospectus, to read about factors you should consider before buying our common shares.

	Per Share	Total
Initial price to public	$ 17.25	$ 112,125,000
Underwriting discount	$ 0.69	$ 4,485,000
Proceeds, before expenses, to us (1)	$ 16.56	$ 107,640,000

(1) We expect to receive net proceeds from the sale of our common shares, before estimated fees and expenses, of $107.6 million, upon full physical settlement of the forward sale agreements, which we expect will occur on or about October 1, 2013. For the purpose of calculating the aggregate net proceeds to us, we have assumed the forward sale agreements are fully physically settled based on the initial forward sale price of $16.56 per share. The forward sale price is subject to adjustment pursuant to the forward sale agreements, and the actual proceeds, if any, will be calculated as described in this prospectus supplement. Although we expect to settle the forward sale agreements entirely by the full physical delivery of our common shares in exchange for cash proceeds, we may elect cash settlement or net share settlement for all or a portion of our obligations under the forward sale agreements. See Underwriting Forward Sale Agreements for a description of the forward sale agreements.

We have granted the underwriters a 30-day option from the date of this prospectus supplement, exercisable in whole or in part from time to time, to purchase up to an additional 975,000 common shares at the initial price to public less the underwriting discount. If such option is exercised, for any such exercise, the number of common shares underlying the forward sale agreements will be increased in respect of the number of common shares that are subject to the exercise of the option. In such event, if any forward purchaser or its affiliate does not borrow and sell all of the common shares to be sold by it in connection with the exercise of such option, we will issue and sell to the underwriters a number of our common shares equal to the number of common shares that the forward purchaser or its affiliate does not borrow and sell and the number of common shares underlying the relevant forward sale agreement will not be increased in respect of the number of common shares we issue and sell.

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

The underwriters expect that the common shares will be ready for delivery on or about June 3, 2013.

Joint Book-Running Managers

Citigroup **BofA Merrill Lynch** **Wells Fargo Securities**

Co-Lead Managers

Jefferies	**Raymond James**

Co-Managers

Barclays	**Cantor Fitzgerald & Co.**	**Sandler O Neill + Partners, L.P.**
Compass Point		**RBS**

Prospectus Supplement dated May 29, 2013

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

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering and also adds to or updates the information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, which provides more general information about our common shares and other securities that do not pertain to this offering of common shares. To the extent the information contained in this prospectus supplement conflicts with any information in the accompanying prospectus or any document incorporated by reference, the information in this prospectus supplement shall control. The information in this prospectus supplement may not contain all of the information that is important to you. You should read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference carefully before deciding whether to invest in our common shares.

References to we, us, our, our company and Associated Estates in this prospectus supplement and the accompanying prospectus are to Associated Estates Realty Corporation and its consolidated subsidiaries, unless the context otherwise requires.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by the use of forward-looking words, such as expects, projects, believes, plans, anticipates, estimates, may, will or intends or the negative of those words or similar words. statements involve inherent risks and uncertainties regarding events, conditions and financial trends that may affect our future plans of operation, business strategy, results of operations and financial position. For a discussion of factors that could cause actual results to differ from those contemplated in the forward-looking statements, please see the discussion under Risk Factors contained in this prospectus supplement and in the reports we file under the Exchange Act, incorporated by reference in this prospectus supplement and the accompanying prospectus.

The following factors, among others, could cause actual results to differ from those contemplated in the forward-looking statements:

- changes in the economic climate in the markets in which we own and manage properties, including interest rates, the overall level of economic activity, the availability of consumer credit and mortgage financing, unemployment rates and other factors;
- elimination of, or limitations on, federal government support for Fannie Mae and/or Freddie Mac that might result in significantly reduced availability of mortgage financing sources, as well as increases in interest rates for mortgage financing;
- our ability to refinance debt on favorable terms at maturity;
- risks of a lessening of demand for the multifamily units we own;

competition from other available multifamily units, single family units available for rental or purchase, and changes in market rental rates;

the failure of development projects or redevelopment activities to achieve expected results due to, among other causes, construction and contracting risks, unanticipated increases in prices for materials and/or labor, and delays in project completion and/or lease-up that result in increased costs and/or reduce the profitability of a completed project;

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- the failure to enter into development joint venture arrangements on acceptable terms;
- increases in property and liability insurance costs;
- unanticipated increases in real estate taxes and other operating expenses;
- weather conditions that adversely affect operating expenses;
- expenditures that cannot be anticipated such as utility rate and usage increases, and unanticipated repairs;
- our inability to control operating expenses or achieve increases in revenue;
- shareholder ownership limitations that may discourage a takeover otherwise considered favorable by shareholders;
- the results of litigation filed or to be filed against us;
- changes in tax legislation;
- risks of personal injury or property damage claims that are not covered by our insurance;
- catastrophic property damage losses that are not covered by our insurance;
- our inability to acquire properties at prices consistent with our investment criteria;
- risks associated with property acquisitions such as failure to achieve expected results or matters not discovered in due diligence; and
- risks related to the perception of residents and prospective residents as to the attractiveness, convenience and safety of our properties or the neighborhoods in which they are located.

We do not undertake any responsibility to update any of these factors or to announce publicly any revisions to forward-looking statements, whether as a result of new information, future events or otherwise.

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SUMMARY

The following summary may not contain all of the information that is important to you. You should read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference carefully before deciding whether to invest in our common shares.

The Company

We are a fully-integrated, self-administered and self-managed equity real estate investment trust, or REIT, specializing in multifamily ownership, operation, acquisition, development, construction, disposition and property management activities. As of March 31, 2013, our operating property portfolio consisted of 51 owned apartment communities containing 13,107 units located in the Midwest, Mid-Atlantic, Southeast and Southwest. Additionally, in May 2012, in conjunction with our acquisition of land for development of an apartment community, we acquired an office building in Los Angeles, California containing approximately 78,800 total square feet of office and retail space. We operate as a REIT for federal income tax purposes and own a taxable REIT subsidiary that performs construction services for our own account. Our corporate headquarters is located at 1 AEC Parkway, Richmond Heights, Ohio 44143 and our telephone number is 216-261-5000.

Additional information regarding our company is set forth in documents on file with the SEC, available at sec.gov, and incorporated by reference in this prospectus supplement and the accompanying prospectus, as described below under the sections entitled Where You Can Find More Information and Incorporation of Certain Documents by Reference.

Recent Developments

Development Site Acquisitions. Associated Estates has entered into a joint venture agreement with Legendary Developments (Legendary) to develop and own a 5.6 acre site known as 950 Third, which is adjacent to the Southern California Institute of Architecture (SCI-Arc) in the Arts District of downtown Los Angeles. We plan to build 472 apartments with ground floor retail and structured parking. The site has been entitled to accommodate the project. Legendary, who will be 50% partner with Associated Estates, contributed the land, which the joint venture valued at $30 million. We will contribute our equity to the joint venture through the funding of the pre-development and development stages. We will be responsible for development, construction management and property management for which we will be paid market fees for such services. The site is located approximately nine miles from our planned 175 unit community, known as The Desmond on Wilshire, which we acquired in May 2012.

Associated Estates has acquired a 3.36 acre site located in the South of Market (SoMa) neighborhood in San Francisco for $44 million. The site is fully entitled for a 408-unit apartment community that will also contain retail and structured parking. We have entered into a development agreement for the project with Halcyon, the multifamily development consultancy of Richard Lamprecht and Amir Massih, who previously led the West Coast development efforts for Archstone. We plan to own and develop the SoMa project in a joint venture, and are currently in discussion with potential joint venture partners.

There can be no assurance that we will be able to complete the developments as contemplated or at all.

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Our Portfolio

The following table presents property operating data for our portfolio by market and region as of and for the three months ended March 31, 2013:

(Dollar amounts in thousands)	No. of Units	Average Age (1)	Physical Occupancy (2)	Property Revenue (3)
Midwest Properties				
Indiana	836	17	97.0%	$ 2,219
Michigan Southeast Michigan	1,778	20	96.6%	4,935
Michigan Western Michigan	438	22	99.3%	1,154
Ohio Central Ohio	2,007	22	96.4%	5,665
Ohio Northeastern Ohio	1,303	18	96.9%	4,308
Total/Average Midwest Properties	6,362	20	96.8%	18,281
Mid-Atlantic Properties				
Maryland	315	27	95.9%	1,420
Metro DC	602	18	97.0%	2,964
Virginia Northern Virginia	1,272	8	96.4%	5,922
Virginia Southeastern Virginia	864	7	95.0%	2,992
Total/Average Mid-Atlantic Properties	3,053	12	96.1%	13,298
Southeast Properties				
Florida Central Florida	288	10	96.5%	924
Florida Southeast Florida	1,206	15	96.0%	4,771
Georgia	354	21	98.0%	1,112
Total/Average Southeast Properties	1,848	16	96.5%	6,807
Southwest Properties				
Texas	446	15	96.2%	1,337
Total/Average Southwest Properties	446	15	96.2%	1,337
Total/Average Same Community	11,709	17	96.6%	39,723
Acquisition Properties (4)				
North Carolina	760	6	96.2%	2,493
Texas	396	4	96.5%	1,393
Development Properties				
Tennessee (5)	242	1	97.9%	1,072
Total/Average Portfolio	13,107	16	96.6%	$ 44,681

(1) Age shown in years.
(2) Weighted average physical occupancy is as of March 31, 2013.
(3) Property revenue represents revenues recorded for the three months ended March 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

(4) We define acquisition properties as properties which we have owned for less than one year.

(5) Reflects construction of 242 units at Vista Germantown in Nashville, Tennessee. Construction was completed during the second quarter 2012.

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The Offering

Common shares offered by the forward purchasers or affiliates thereof	6,500,000 common shares, without par value (7,475,000 if the underwriters option to purchase additional common shares is exercised in full)
Common shares to be outstanding after settlement of the forward sale agreements assuming full physical settlement	56,984,004 common shares (57,959,004 common shares if the underwriters option to purchase additional common shares is exercised in full) [1]
Use of proceeds [2]	We will not receive any proceeds from the sale of our common shares by the forward purchasers or their affiliates. We expect that the net proceeds from this offering will be approximately $107.1 million (after deducting fees and estimated expenses related to the forward sale agreements), subject to certain adjustments pursuant to the forward sale agreements, only upon full physical settlement of the forward sale agreements, which we expect to occur on or about October 1, 2013.

We intend to use the net proceeds, if any, from the settlement of the forward sale agreements to repay a portion of approximately $130 million of debt that is scheduled to mature on October 1, 2013, and for general corporate purposes. Pending application for the foregoing purposes, we intend to repay borrowings, if any, outstanding under our $350 million unsecured revolving credit facility, or to invest the net proceeds in short term securities.

Ownership limit	Subject to certain exceptions, our Second Amended and Restated Articles of Incorporation restrict ownership of more than 4.0% of our common shares in order to protect our status as a REIT for federal income tax purposes. See Description of Common Shares Restrictions on Ownership in the accompanying prospectus.
Accounting treatment of the transaction	Before the issuance of our common shares, if any, upon settlement of the forward sale agreements, the forward sale agreements will be reflected in our diluted earnings per share calculations using the treasury stock method. Under this method, the number of our common shares used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of common shares that would be issued upon full physical settlement of the forward sale agreements over the number of common shares that could be purchased by us in the market (based on the average market price during the period) using the proceeds receivable upon full physical settlement (based on the adjusted forward sale price at the end of the reporting period). Consequently, we anticipate there will be

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	no dilutive effect on our earnings per share except during periods when the average market price of our common shares is above the applicable adjusted forward sale price, which is initially $16.56 per share, subject to increase or decrease based on the federal funds rate, less a spread, and subject to decrease by amounts related to expected dividends on our common shares during the term of the forward sale agreements.
Listing	Our common shares are listed on the New York Stock Exchange and the Nasdaq Global Market under the symbol AEC.
Risk factors	An investment in our common shares involves risks, and prospective investors should carefully consider the matters discussed under Risk Factors beginning on page S-7 of this prospectus supplement and the reports we file with the SEC pursuant to the Exchange Act, incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment in our common shares.

(1) The forward purchasers have advised us that they or their affiliates intend to acquire common shares to be sold under this prospectus supplement through borrowings from third-party stock lenders. Subject to the occurrence of certain events, we will not be obligated to deliver common shares, if any, under the forward sale agreements until final settlement of the forward sale agreements, which we expect to occur on or about October 1, 2013. Except in certain circumstances, we have the right to elect cash settlement or net share settlement under the forward sale agreements. See Underwriting Forward Sale Agreements for a description of the forward sale agreements. The number of common shares to be outstanding after this offering is based on 50,484,004 common shares outstanding as of May 28, 2013, and excludes 600,020 common shares issuable upon the exercise of outstanding options and any additional common shares we may issue from and after May 28, 2013 through final settlement of the forward sale agreements.

(2) Calculated as of May 29, 2013 (assuming that the forward sale agreements are fully physically settled based on the initial forward sale price of $16.56 per share by the delivery of 6,500,000 of our common shares and that the underwriters have not exercised their option to purchase additional common shares). The forward sale price is subject to adjustment pursuant to the forward sale agreements, and the actual proceeds are subject to settlement of the forward sale agreements.

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RISK FACTORS

Before making an investment decision in our company, you should carefully consider the risks described below and in our periodic reports filed with the SEC pursuant to the Exchange Act incorporated by reference herein, including the risks described in Item 1A Risk Factors in our most recently filed Annual Report on Form 10-K. The risks and uncertainties described below and in such filings are not the only ones facing our company, and there may be additional risks we do not presently know of or we currently consider to be immaterial. All of these risks could adversely affect our business, financial condition, results of operations and cash flows. As a result, our ability to pay dividends on, and the market price of, our common shares may be adversely affected if any of such risks is realized.

Risks Related to the Forward Sale Agreements

Settlement provisions contained in the forward sale agreements subject us to certain risks. Each forward purchaser will have the right to accelerate its forward sale agreement (with respect to all or any portion of the transaction under the forward sale agreement that the forward purchaser determines is affected by such event) and require us to settle on a date specified by such forward purchaser if:

- such forward purchaser is unable to, or would incur a materially increased cost to, establish, maintain or unwind its hedge position with respect to its forward sale agreement;
- such forward purchaser determines it is unable to, or it is commercially impracticable for it to, continue to borrow a number of our common shares equal to the number of common shares underlying its forward sale agreement or that, with respect to borrowing such number of common shares, it would incur a rate that is greater than the borrow cost specified in such forward sale agreement, subject to a prior notice requirement;
- a termination event occurs as a result of us declaring a dividend or distribution on our common shares with a cash value in excess of a specified amount per calendar year, certain non-cash dividends or a cash dividend or distribution specified as an extraordinary dividend by our board of directors;
- an extraordinary event (as such term is defined in such forward sale agreement and which includes certain mergers and tender offers and the delisting of our common shares) occurs or our board of directors votes to approve or there is a public announcement of, in either case, any action that, if consummated, would constitute such an extraordinary event; or
- certain other events of default, termination events or other specified events occur, including, among other things, any material misrepresentation made by us in connection with entering into such forward sale agreement, our bankruptcy or a change in law (as such terms are defined in such forward sale agreement).

Each forward purchaser s decision to exercise its right to accelerate the settlement of the relevant forward sale agreement will be made irrespective of our need for capital. In such cases, we could be required to issue and deliver common shares under the physical settlement provisions or, if we so elect and such forward purchaser so permits our election, net share settlement provisions of the relevant forward sale agreement irrespective of our capital needs, which would result in dilution to our earnings per share, return on equity and dividends per share.

We expect that each forward sale agreement will settle on or about October 1, 2013, but each forward sale agreement may be settled earlier in whole or in part at our option. Each forward sale agreement will be physically settled by delivery of our common shares, unless we elect to cash settle or net share settle such forward sale agreement. Upon physical settlement or, if we so elect, net share settlement of the forward sale agreements, delivery of our common shares in connection with such physical settlement or, to the extent we are obligated to deliver our common shares, net share settlement will result in dilution to our earnings per share and return on equity. If we elect cash settlement or net share settlement with respect to all or a portion of the common shares underlying the forward sale agreements, we expect each forward purchaser (or an affiliate thereof) to purchase a

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number of common shares necessary to satisfy its or its affiliate s obligation to return the common shares borrowed from third parties in connection with sales of our common shares under this prospectus supplement. In addition, the purchase of our common shares in connection with such forward purchaser or its affiliate unwinding its hedge positions could cause the price of our common shares to increase over such time (or prevent a decrease over such time), thereby increasing the amount of cash we would owe to such forward purchaser (or decreasing the amount of cash such forward purchaser would owe us) upon a cash settlement of the relevant forward sale agreement or the number of common shares we would deliver to such forward purchaser (or decreasing the number of common shares such forward purchaser would deliver to us) upon net share settlement of the relevant forward sale agreement. The forward sale price we expect to receive upon physical settlement of the forward sale agreements will be subject to adjustment on a daily basis based on a floating interest rate factor equal to the federal funds rate less a spread, and will be decreased based on amounts related to expected dividends on our common shares during the term of the forward sale agreements. If the federal funds rate is less than the spread on any day, the interest factor will result in a daily reduction of the forward sale price. As of the date of this prospectus supplement, the federal funds rate was less than the spread. If the market value of our common shares during the relevant valuation period under the respective forward sale agreement is above the relevant forward sale price, in the case of cash settlement, we would pay the forward purchaser under such forward sale agreement an amount in cash equal to the difference or, in the case of net share settlement, we would deliver to such forward purchaser a number of common shares having a value equal to the difference. Thus, we could be responsible for a potentially substantial cash payment. If the market value of our common shares during the relevant valuation period under the respective forward sale agreement is below the relevant forward sale price, in the case of cash settlement, we would be paid the difference in cash by the forward purchaser under such forward sale agreement or, in the case of net share settlement, we would receive from such forward purchaser a number of common shares having a value equal to the difference. See Underwriting Forward Sale Agreements for information on the forward sale agreements.

In case of our bankruptcy or insolvency, the forward sale agreements will automatically terminate, and we would not receive the expected proceeds from the sale of our common shares. If we file for or consent to a proceeding seeking a judgment in bankruptcy or insolvency or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors rights, or we or a regulatory authority with jurisdiction over us presents a petition for our winding-up or liquidation, and we consent to such a petition, the forward sale agreements will automatically terminate. If the forward sale agreements so terminate, we would not be obligated to deliver to the relevant forward purchaser any common shares not previously delivered, and the relevant forward purchaser would be discharged from its obligation to pay the relevant forward sale price per share in respect of any common shares not previously settled. Therefore, to the extent there are any common shares with respect to which the forward sale agreements have not been settled at the time of the commencement of any such bankruptcy or insolvency proceedings, we would not receive the relevant forward sale price per share in respect of those common shares.

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Risks Related to This Offering

The market price of our common shares may fluctuate or decline significantly. The market price of our common shares may fluctuate or decline significantly in response to many factors, including those set forth under Cautionary Statement Regarding Forward-Looking Statements as well as:

- actual or anticipated changes in operating results or business prospects;
- changes in earnings estimates by securities analysts;
- an inability to meet or exceed securities analysts estimates or expectations;
- difficulties or inability to access capital or extend or refinance existing debt;
- decreasing (or uncertainty in) real estate valuations;
- publication of research reports about us or the real estate industry;
- changes in analyst ratings or our credit ratings;
- conditions or trends in our industry or sector;
- the performance of other multifamily residential REITs and related market valuations;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, divestitures, joint ventures or other strategic initiatives;
- shareholder ownership limitations that may discourage a takeover otherwise considered favorable by shareholders;
- hedging or arbitrage trading activity in our common shares;
- actions by institutional shareholders;
- changes in interest rates;

capital commitments;

additions or departures of key personnel;

future sales of our common shares or securities convertible into, or exchangeable or exercisable for, our common shares;

the realization of any of the other risk factors included or incorporated by reference in this prospectus supplement and the accompanying prospectus; and

general market and economic conditions.

This offering will have a dilutive effect on our earnings per share and our funds from operations per share. We anticipate the issuance of common shares in this offering will have a dilutive effect on our 2013 earnings per share and our funds from operations, as adjusted, per share, and could cause the market price of our common shares to decline significantly.

There may be future dilution of our common shares. Our board of directors is authorized under our Second Amended and Restated Articles of Incorporation, as amended, to, among other things, authorize the issuance of additional common shares or preferred shares or securities convertible or exchangeable into equity securities, without shareholder approval. We may issue such additional equity or convertible securities to raise additional capital. Holders of our common shares have no preemptive rights that entitle them to purchase their pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in increased dilution to our shareholders. We cannot predict the size of future issuances or sales of our common shares or other related equity securities into the public market or the effect, if any, that such issuances or sales may have on the market price of our common shares.

We may issue debt and equity securities or securities convertible into equity securities, any of which may be senior to our common shares as to distributions and in liquidation. In the future, we may issue additional debt or equity securities or securities convertible into or exchangeable for equity securities, or we may enter into debt-like financing that is unsecured or secured by up to all of our multifamily apartment communities. Such securities may be senior to our common shares as to distributions. In addition, in the event of our liquidation, our lenders and holders of our debt and preferred securities would receive distributions of our available assets before distributions to the holders of our common shares.

USE OF PROCEEDS

We will not receive any proceeds from the sale of our common shares by the forward purchasers or their affiliates. Assuming full physical settlement of the forward sale agreements at an initial forward sale price of $16.56 per share, and that the underwriters have not exercised their option to purchase additional common shares, we expect to receive net proceeds of approximately $107.1 million (after deducting estimated fees and expenses related to this offering and the forward sale agreements), subject to certain adjustments pursuant to the forward sale agreements, upon settlement of the forward sale agreements, which settlement we expect will occur on or about October 1, 2013. The forward sale price we expect to receive upon physical settlement of the forward sale agreements will be subject to adjustment on a daily basis based on a floating interest rate factor equal to the federal funds rate less a spread, and will be decreased based on amounts related to expected dividends on our common shares during the term of the forward sale agreements. If the federal funds rate is less than the spread on any day, the interest factor will result in a daily reduction of the forward sale price. As of the date of this prospectus supplement, the federal funds rate was less than the spread.

We intend to use the net proceeds, if any, from the settlement of the forward sale agreements to repay a portion of approximately $130 million of debt that is scheduled to mature on October 1, 2013 and for general corporate purposes. This debt has an interest rate of 6.1%. Pending application for the foregoing purposes, we intend to repay borrowings, if any, outstanding under our $350 million unsecured revolving credit facility, or to invest the net proceeds in short term securities. As of March 31, 2013, we had no borrowings outstanding under our unsecured revolving credit facility. Our unsecured revolving credit facility will mature in January 2016.

If, however, we elect to cash settle the forward sale agreements, we would expect to receive an amount of net proceeds that is significantly lower than the estimate included under this caption, and we may not receive any net proceeds (or may owe cash to the forward purchasers). If we elect to net share settle the forward sale agreements in full, we would not receive any proceeds from the forward purchasers.

Before the issuance of our common shares, if any, upon settlement of the forward sale agreements, the forward sale agreements will be reflected in our diluted earnings per share calculations using the treasury stock method. Under this method, the number of our common shares used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of common shares that would be issued upon full physical settlement of the forward sale agreements over the number of common shares that could be purchased by us in the market (based on the average market price during the period) using the proceeds receivable upon full physical settlement (based on the adjusted forward sale price at the end of the reporting period).

Affiliates of certain of the underwriters, including Citigroup Global Market, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC, Raymond James & Associates, Inc. and RBS Securities Inc., are among several lenders under our unsecured revolving credit facility. To the extent any portion of the net proceeds from the settlement of the forward sale agreements is used to repay amounts drawn on this facility, such affiliates will receive a pro rata portion of such proceeds. See Underwriting.

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PRICE RANGE FOR OUR COMMON SHARES

The high and low sale prices per share of our common shares and declared dividends per common share for the quarterly periods indicated were as follows:

	High	Low	Dividends
2013:			
First	$ 18.67	$ 15.74	$ 0.19
Second (through May 28, 2013)	19.09	17.33	0.19
2012:			
First	$ 17.09	$ 14.80	$ 0.17
Second	17.51	14.30	0.18
Third	15.60	14.24	0.18
Fourth	16.13	14.25	0.18
2011:			
First	$ 16.50	$ 14.36	$ 0.17
Second	16.97	15.42	0.17
Third	18.85	14.58	0.17
Fourth	17.43	14.26	0.17

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UNDERWRITING

Subject to the terms and conditions set forth in an underwriting agreement, the underwriters named below, for whom Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC are acting as representatives, have severally agreed to purchase, and the forward purchasers, or their affiliates, have agreed to sell them, the number of common shares indicated in the table below:

Underwriter	Number of Common Shares
Citigroup Global Markets Inc.	1,950,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	1,300,000
Wells Fargo Securities, LLC.	975,000
Jefferies LLC	715,000
Raymond James & Associates, Inc.	715,000
Barclays Capital Inc.	325,000
Cantor Fitzgerald & Co.	195,000
Sandler O Neill & Partners, L.P.	195,000
Compass Point Research & Trading, LLC	65,000
RBS Securities Inc.	65,000
Total	6,500,000

The underwriters are offering the common shares subject to their acceptance of the common shares from the forward purchasers, or their affiliates, and subject to prior sale. The underwriting agreement provides that the obligations of the underwriters to pay for and accept delivery of the common shares offered by this prospectus supplement are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the common shares offered by this prospectus supplement if any such common shares are taken, other than those common shares covered by the option described below.

Common shares sold by the underwriters to the public will initially be offered at the initial price to public set forth on the cover page of this prospectus supplement. Any common shares sold by the underwriters to securities dealers may be sold at a discount from the initial price to public not to exceed $0.414 per share. If all the common shares are not sold at the initial price to public, the underwriters may change the offering price and the other selling terms.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 975,000 additional common shares at the price to public less the underwriting discount. If such option is exercised, for any such exercise, the number of common shares underlying the forward sale agreements will be increased in respect of the number of common shares that are subject to the exercise of the option. In such event, if any forward purchaser or its affiliate does not borrow and sell all of the common shares to be sold by it in connection with the exercise of such option, we will issue and sell to the underwriters a number of our common shares equal to the number of common shares the forward purchaser or its affiliate does not borrow and sell, and the number of common shares underlying the relevant forward sale agreement will not be increased in respect of the number of common shares we issue and sell. In such event, the representatives will have the right to postpone the closing date for the exercise of such option for one business day to effect any necessary changes to the documents or arrangements.

We and our executive officers and directors have agreed, subject to certain exceptions that, for a period of 60 days from the date of this prospectus supplement, we and they will not, without the prior written consent of Citigroup Global Markets Inc., dispose of or hedge any common shares or any securities convertible into or exchangeable for our common shares. Citigroup Global Markets Inc. in its sole discretion may release any of the

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securities subject to these lock-up agreements at any time without notice. Notwithstanding the foregoing, if (i) during the last 17 days of the restricted period, we issue an earnings release or material news or a material event relating to our company occurs, or (ii) prior to the expiration of the restricted period, we announce we will release earnings results during the 16-day period beginning on the last day of the restricted period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. However, such extension will not apply if, within three business days prior to the 15th calendar day before the last day of the restricted period, we deliver a certificate signed by our Chief Executive Officer or Chief Financial Officer, certifying that our common shares are actively traded securities as defined in Regulation M.

The common shares are listed on the New York Stock Exchange and the Nasdaq Global Market under the symbol AEC.

The following table shows the underwriting discount to be paid to the underwriters in connection with this offering.

	No Exercise	Full Exercise
Per share	$ 0.69	$ 0.69
Total	$ 4,485,000	$ 5,157,750

The information in the table above assumes (a) either no exercise or full exercise by the underwriters of their option to purchase additional common shares and (b) that the forward sale agreements are fully physically settled based upon the initial forward sale price of $16.56 per share. If we physically settle the forward sale agreements based upon the initial forward sale price, we expect to receive net proceeds of approximately $107.1 million (assuming that the underwriters have not exercised their option to purchase additional common shares and after deducting fees and estimated expenses related to the forward sale agreements), subject to certain adjustments as described below, upon settlement of the forward sale agreements, which settlement we expect will occur on or about October 1, 2013.

We estimate expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately $500,000.

In connection with this offering, the underwriters may purchase and sell common shares in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the option to purchase additional common shares, and stabilizing purchases.

Short sales involve secondary market sales by the underwriters of a greater number of common shares than they are required to purchase in the offering.

Covered short sales are sales of common shares in an amount up to the number of common shares represented by the underwriters option to purchase additional common shares.

Naked short sales are sales of common shares in an amount in excess of the number of common shares represented by the underwriters option to purchase additional common shares.

Covering transactions involve purchases of common shares either pursuant to the option to purchase additional common shares or in the open market after the distribution has been completed in order to cover short positions.

To close a naked short position, the underwriters must purchase common shares in the open market after the distribution has been completed. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common shares in the open market after pricing that could adversely affect investors who purchase in the offering.

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To close a covered short position, the underwriters must purchase common shares in the open market after the distribution has been completed or must exercise the option to purchase additional common shares. In determining the source of common shares to close the covered short position, the underwriters will consider, among other things, the price of common shares available for purchase in the open market as compared to the price at which they may purchase common shares through the option to purchase additional common shares.

Stabilizing transactions involve bids to purchase common shares so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the common shares. They may also cause the price of the common shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the New York Stock Exchange or the Nasdaq Global Market, in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

The underwriters, the forward purchasers and/or their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters, the forward purchasers and/or their respective affiliates have from time to time provided, and expect to provide in the future, investment banking, commercial banking and other financial services to us and our affiliates, for which they have received and may continue to receive customary fees and commissions. In the ordinary course of their various business activities, the underwriters, the forward purchasers and/or their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of ours. The underwriters, the forward purchasers and/or their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Affiliates of certain of the underwriters, including Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC, Raymond James & Associates, Inc. and RBS Securities Inc., are among several lenders under our $350 million unsecured revolving credit facility. To the extent any portion of the net proceeds from the settlement of the forward sale agreements is used to repay amounts drawn on this facility, such affiliates will receive a pro rata portion of such proceeds.

We have agreed to indemnify severally the underwriters and the forward purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters or the forward purchasers may be required to make because of any of those liabilities.

Forward Sale Agreements

We have entered into forward sale agreements with Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, or their affiliates, as the forward purchasers relating to an aggregate of 6,500,000 of our common shares. In connection with the execution of such forward sale agreements and at our request, Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, as agents for the forward purchasers or their affiliates, are borrowing from third parties and selling in this offering an aggregate of 6,500,000 of our common shares. If any forward purchaser or its affiliate does not borrow and sell all of the common shares to be sold by it pursuant to the terms of the underwriting agreement, we will issue and sell directly to the underwriters the number of

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common shares not borrowed and delivered by the relevant forward purchaser or its affiliate, and the number of common shares underlying the relevant forward sale agreement will be decreased in respect of the number of common shares we issue and sell. Under any such circumstance, the commitment of the underwriters to purchase our common shares from the forward purchasers or their affiliates, as described above, will be replaced with the commitment to purchase from us, at the price set forth on the cover page of this prospectus supplement at which the underwriters have agreed to purchase the common shares from the forward purchasers, the relevant number of common shares not borrowed and delivered by the forward purchasers or their affiliates. In such event, the underwriters will have the right to postpone the closing date for one business day to effect any necessary changes to the documents or arrangements.

We will receive an amount equal to the net proceeds from the sale of the borrowed common shares sold in this offering, subject to certain adjustments pursuant to the forward sale agreements, at the applicable forward sale price (as described below), from the forward purchasers upon full physical settlement of the forward sale agreements. We will only receive such proceeds if we elect to fully physically settle the forward sale agreements.

We expect each forward sale agreement to settle on or about October 1, 2013, subject to acceleration by the relevant forward purchasers upon the occurrence of certain events. On a settlement date, if we decide to physically settle a forward sale agreement, we will issue our common shares to the forward purchaser under its forward sale agreement at the then-applicable forward sale price. The forward sale price initially will be equal to the initial price to public less the underwriting discount per share, as set forth on the cover page of this prospectus supplement. The forward sale agreements provide that the forward sale price will be subject to increase or decrease based on the federal funds rate, less a spread, and subject to decrease by amounts related to expected dividends on our common shares during the term of the forward sale agreements. If the federal funds rate is less than the spread on any day, the interest factor will result in a daily reduction of the forward sale price. As of the date of this prospectus supplement, the federal funds rate was less than the spread.

Before settlement of the forward sale agreements, the forward sale agreements will be reflected in our diluted earnings per share, return on equity and dividends per share calculations using the treasury stock method. Under this method, the number of our common shares used in calculating diluted earnings per share, return on equity and dividends per share is deemed to be increased by the excess, if any, of the number of common shares that would be issued upon full physical settlement of the forward sale agreements over the number of common shares that could be purchased by us in the market (based on the average market price during the period) using the proceeds receivable upon full physical settlement (based on the adjusted forward sale price at the end of the reporting period). Consequently, we anticipate there will be no dilutive effect on our earnings per share, except during periods when the average market price of our common shares is above the applicable forward sale price, which is initially $16.56 per share (equal to the initial price to public less the underwriting discount per share, as set forth on the cover page of this prospectus supplement).

Except under limited circumstances described below, we have the right to elect physical, cash or net share settlement under the forward sale agreements. Although we expect to settle the forward sale agreements entirely by delivering our common shares in connection with full physical settlement, we may, subject to certain conditions, elect cash settlement or net share settlement for all or a portion of our obligations if we conclude it is in our interest to cash settle or net share settle. For example, we may conclude it is in our interest to cash settle or net share settle if we have no then current use for all or a portion of the net proceeds we would receive upon physical settlement. In addition, subject to certain conditions, we may elect to accelerate the settlement of all or a portion of the number of common shares underlying the relevant forward sale agreement. In the event we elect to cash settle or net share settle, the settlement amount will be generally related to (1) (a) the market value of our common shares during the relevant valuation period under the relevant forward sale agreement (which valuation period will consist of alternating scheduled trading days that do not coincide with the scheduled trading days comprising the valuation period under the other forward sale agreement and which market value shall be subject to certain parameters set forth in the forward sale agreements related to Rule 10b-18 under the Exchange Act) minus (b) the applicable forward sale price; multiplied by (2) the number of common shares underlying the

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relevant forward sale agreement subject to such cash settlement or net share settlement. If this settlement amount is a negative number, the relevant forward purchaser will pay us the absolute value of that amount or deliver to us a number of our common shares having a value equal to the absolute value of such amount. If this settlement amount is a positive number, we will pay the relevant forward purchaser that amount or deliver to such forward purchaser a number of our common shares having a value equal to such amount. In connection with any cash settlement or net share settlement, we would expect the relevant forward purchaser or its affiliate to purchase our common shares in secondary market transactions for delivery to third-party stock lenders in order to close out its, or its affiliate s, hedge position in respect of its forward sale agreement. The purchase of our common shares in connection with a forward purchaser or its affiliate unwinding its hedge positions could cause the price of our common shares to increase over time (or prevent a decrease over time), thereby increasing the amount of cash we owe to the relevant forward purchaser (or decreasing the amount of cash such forward purchaser owes us) upon cash settlement or increasing the number of our common shares we are obligated to deliver to such forward purchaser (or decreasing the number of our common shares such forward purchaser is obligated to deliver to us) upon net share settlement. See Risk Factors Risks Related to the Forward Sale Agreements.

Each forward purchaser will have the right to accelerate its forward sale agreement (with respect to all or any portion of the transaction under the forward sale agreement that the forward purchaser determines is affected by such event) and require us to settle on a date specified by such forward purchaser if (1) such forward purchaser is unable to, or would incur a materially increased cost to, establish, maintain or unwind its hedge position with respect to its forward sale agreement; (2) such forward purchaser determines it is unable to, or it is commercially impracticable for it to, continue to borrow a number of our common shares equal to the number of common shares underlying its forward sale agreement or that, with respect to borrowing such number of common shares, it would incur a rate that is greater than the borrow cost specified in such forward sale agreement, subject to a prior notice requirement; (3) a termination event occurs as a result of us declaring a dividend or distribution on our common shares with a cash value in excess of a specified amount per calendar quarter, certain non-cash dividends or a cash dividend or distribution specified as an extraordinary dividend by our board of directors; (4) an extraordinary event (as such term is defined in such forward sale agreement and which includes certain mergers and tender offers and the delisting of our common shares) occurs, or our board of directors votes to approve or there is a public announcement of, in either case, any action that, if consummated, would constitute such an extraordinary event; or (5) certain other events of default, termination events or other specified events occur, including, among other things, any material misrepresentation made by us in connection with entering into such forward sale agreement, our bankruptcy or a change in law (as such terms are defined in such forward sale agreement). Each forward purchaser s decision to exercise its right to accelerate the settlement of the relevant forward sale agreement will be made irrespective of our need for capital. In such cases, we could be required to issue and deliver common shares under the physical settlement provisions or, if we so elect and such forward purchaser so permits our election, net share settlement provisions of the relevant forward sale agreement irrespective of our capital needs which would result in dilution to our earnings per share, return on equity and dividends per share. In addition, upon certain events of bankruptcy, insolvency or reorganization relating to us, the forward sale agreements will terminate without further liability of either party. Following any such termination, we would not issue any common shares and we would not receive any proceeds pursuant to the applicable forward sale agreements. See Risk Factors Risks Related to the Forward Sale Agreements.

Selling Restrictions

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus supplement in any jurisdiction where action for that purpose is required. The securities offered by this prospectus supplement may not be offered or sold, directly or indirectly, nor may this prospectus supplement or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus supplement comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus supplement. This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus supplement in any jurisdiction in which such an offer or a solicitation is unlawful.

The underwriters may arrange to sell securities offered hereby in certain jurisdictions outside the United States, either directly or through affiliates, where they are permitted to do so.

Neither this prospectus supplement nor the accompanying prospectus is a prospectus for the purposes of the Prospectus Directive (as defined below).

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a Relevant Member State), including each Relevant Member State that has implemented the 2010 PD Amending Directive, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), no offer of common shares will be made to the public in that Relevant Member State, except that with effect from and including the Relevant Implementation Date, offers of common shares may be made to the public in that Relevant Member State at any time:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors, as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the underwriters for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the common shares shall result in a requirement for us or the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

Any person making or intending to make any offer within the European Economic Area of the common shares that are the subject of the offering contemplated in this prospectus supplement and the accompanying prospectus should only do so in circumstances in which no obligation arises for us or the underwriters to produce a prospectus for such offer. Neither we nor the underwriters have authorized, or will authorize, the making of any offer of the common shares offered hereby through any financial intermediary, other than offers made by the underwriters that constitute the final offering of the securities contemplated in this prospectus supplement and the accompanying prospectus.

For the purposes of this provision and the buyer s representation below, the expression an offer to the public in relation to the common shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the common shares to be offered so as to enable an investor to decide to purchase or subscribe for the common shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any of the common shares that are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus, will be deemed to have represented, warranted and agreed to and with the underwriters and us that:

(a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

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(b) in the case of any common shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the common shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as defined in the Prospectus Directive, or in circumstances in which the prior consent of the underwriters has been given to the offer or resale; or (ii) where the common shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those common shares to it is not treated under the Prospectus Directive as having been made to such persons.

In relation to the United Kingdom, each of the underwriters will be deemed to have represented and agreed that it and each of its affiliates:

(a) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the FSMA)) received by it in connection with the issue or sale of any common shares in circumstances in which section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the common shares in, from or otherwise involving the United Kingdom.

This prospectus supplement, as well as any other material relating to the common shares that are the subject of the offering contemplated by this prospectus supplement, do not constitute an issue prospectus pursuant to Article 652a or 1156 of the Swiss Code of Obligations. The common shares will not be listed on the SIX Swiss Exchange and, therefore, the documents relating to the common shares, including, but not limited to, this prospectus supplement and the accompanying prospectus, do not claim to comply with the disclosure standards of the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange.

The common shares may qualify as a non-Swiss collective investment scheme pursuant to the Swiss Federal Act on Collective Investment Schemes (the CISA). The common shares have not been, nor will they be, licensed for public distribution in and from Switzerland and they may only be offered, distributed or sold to qualified investors in accordance with the private placement exemptions set forth by the CISA and its implementing ordinance (in particular, Article 10 para. 3 CISA and Article 6 of the ordinance to CISA). We have not been licensed and are not subject to the supervision by the Swiss Financial Market Supervisory Authority FINMA (the FINMA). Therefore, investors in the common shares do not benefit from the specific investor protection provided by the CISA and the supervision by the FINMA.

The common shares are being offered in Switzerland by way of a private placement, that is to a small number of selected investors only, without any public offer and only to investors who do not purchase the common shares with the intention to distribute them to the public. The investors will be individually approached by us from time to time. This prospectus supplement and the accompanying prospectus, as well as any other material relating to the common shares, are personal and confidential and do not constitute an offer to any other person. This prospectus supplement and the accompanying prospectus may only be used by those investors to whom they have been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. They may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

This prospectus supplement and the accompanying prospectus relate to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This prospectus supplement and the accompanying prospectus are intended for distribution only to persons of a type specified in those rules. They must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no

responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this prospectus supplement or the accompanying prospectus nor taken steps to verify the information set out in them, and has no responsibility for them. The common shares that are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the common shares offered should conduct their own due diligence on the common shares. If you do not understand the contents of this prospectus supplement and the accompanying prospectus you should consult an authorized financial adviser.

EXPERTS

The financial statements and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Report on Internal Control over Financial Reporting) incorporated in this prospectus supplement and the accompanying prospectus by reference to the Annual Report on Form 10-K of Associated Estates Realty Corporation for the year ended December 31, 2012, and the audited statements of revenue and certain operating expenses of The Apartments at the Arboretum, 21 Forty Medical District and The Park at Crossroads included on pages 4, 7 and 10 of Associated Estates Realty Corporation s Current Report on Form 8-K dated March 13, 2013, have been so incorporated in reliance on the reports (which the reports on the statements of revenue and certain operating expenses each express an unqualified opinion and include an explanatory paragraph referring to the purpose of that statement) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

LEGAL MATTERS

The validity of the common shares offered hereby as well as certain legal matters described under Material Federal Income Tax Considerations in the accompanying prospectus have been passed upon by Baker & Hostetler LLP, Cleveland, Ohio. Albert T. Adams, a director of our company, is a partner of Baker & Hostetler LLP. Certain legal matters in connection with this offering will be passed upon for the underwriters by Sidley Austin LLP, New York, New York. Latham & Watkins LLP will pass upon certain legal matters for the forward purchases in connection with the forward sale agreements.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available on the Internet at the SEC s website at sec.gov. You may also read and copy any document we file at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on the public reference room and its copy charges. You may also inspect our SEC reports and other information at the New York Stock Exchange, 20 Broad Street, New York, New York 10005. We also maintain a website at AssociatedEstates.com. Please note that all references to AssociatedEstates.com in this prospectus supplement and the accompanying prospectus are inactive textual references only and that the information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

Information that we have previously filed with the SEC can be incorporated by reference into this prospectus supplement and the accompanying prospectus. The process of incorporation by reference allows us to disclose important information to you without duplicating that information in this prospectus supplement and the

accompanying prospectus. The information we incorporate by reference is considered a part of this prospectus supplement and the accompanying prospectus. The information in this prospectus supplement and the accompanying prospectus, including any information that we incorporate by reference, will be updated and superseded automatically by our filings with the SEC after the date of this prospectus supplement and the accompanying prospectus and prior to our sale of the common shares covered by this prospectus supplement. We are incorporating by reference the filed information contained in the documents listed below:

(a) Our Annual Report on Form 10-K for the year ended December 31, 2012;

(b) Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013;

(c) Our Current Reports on Form 8-K filed with the SEC on January 2, 2013, January 24, 2013, January 25, 2013, March 13, 2013, April 12, 2013 and May 9, 2013; and

(d) The description of our common shares contained in our Form 8-A dated October 14, 1993.

We are also incorporating by reference any filed information in filings we make with the SEC pursuant to Section 13(a), 13(c), 14, or 15(d) of the Exchange Act after the date of this prospectus supplement and prior to our sale of the common shares covered by this prospectus supplement.

We will furnish without charge to each person (including any beneficial owner) to whom a prospectus supplement is delivered, upon written or oral request, a copy of any or all of the foregoing documents incorporated herein by reference (other than certain exhibits). Requests for such documents should be made to:

Mail:	Associated Estates Realty Corporation Attention: Investor Relations 1 AEC Parkway Richmond Heights, Ohio 44143
Telephone:	216-261-5000
Website:	AssociatedEstates.com (select Contact AEC option)

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PROSPECTUS

Associated Estates Realty Corporation

Debt Securities, Preferred Shares,

Depositary Shares, Common Shares and

Common Share Warrants

Associated Estates Realty Corporation (the Company) may from time to time offer and sell in one or more offerings (i) one or more series of its unsecured debt securities (the Debt Securities), (ii) whole or fractional preferred shares (collectively, Preferred Shares) (iii) Preferred Shares represented by depositary shares (Depositary Shares), (iv) common shares, without par value (Common Shares), or (v) warrants to purchase Common Shares (Common Share Warrants) on terms to be determined at the time or times of offering. Debt Securities, Preferred Shares, Depositary Shares, Common Shares and Common Share Warrants (collectively, the Offered Securities) may be offered, separately or together, in separate classes or series, in amounts, at prices and on terms to be set forth in a supplement to this Prospectus (a Prospectus Supplement).

The specific terms of the Offered Securities to which this Prospectus relate will be set forth in the applicable Prospectus Supplement and will include, when applicable: (i) in the case of Debt Securities, the specific title, aggregate principal amount, currency, form (which may be registered or bearer, or certificated or global), authorized denominations, maturity, rate (or manner of calculation thereof) and time of payment of interest, terms for redemption at the option of the Company or repayment at the option of the holder thereof, terms for sinking fund payments, terms for conversion into Preferred Shares or Common Shares, and any initial public offering price; (ii) in the case of Preferred Shares, the specific class, series, title and stated value, any dividend, liquidation, redemption, conversion, voting and other rights, and any initial public offering price; (iii) in the case of Depositary Shares, the whole or fractional Preferred Shares represented by each such Depositary Share; (iv) in the case of Common Shares, any initial public offering price; and (v) in the case of Common Share Warrants, the duration, offering price, exercise price and detachability features. In addition, such specific terms may include limitations on direct or beneficial ownership and restrictions on transfer of the Offered Securities, in each case as may be appropriate to preserve the status of the Company as a real estate investment trust (REIT) for federal income tax purposes.

The applicable Prospectus Supplement will also contain information, when applicable, about certain United States federal income tax considerations relating to, and any listing on a securities exchange of, the Offered Securities covered by that Prospectus Supplement.

The Offered Securities may be offered directly, through agents designated from time to time by the Company, or to or through underwriters or dealers. If any agents or underwriters are involved in the sale of any of the Offered Securities, their names and any applicable purchase price, fee, commission or discount arrangement will be set forth in or will be calculable from the information set forth in the applicable Prospectus Supplement. No Offered Securities may be sold without delivery of the applicable Prospectus Supplement describing the method and terms of the offering of those Offered Securities. See Plan of Distribution for possible indemnification arrangements with underwriters, dealers and agents.

Our common shares are listed on the New York Stock Exchange and the Nasdaq Global Market under the symbol AEC. Subject to certain exceptions, our Second Amended and Restated Articles of Incorporation restrict ownership of more than 4% or our common shares in order to protect our status as a REIT for federal income tax purposes.

Investing in the Offered Securities involves certain risks. See Risk Factors beginning on page 3 of this Prospectus and in the reports we file with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (the Exchange Act) incorporated by reference in this Prospectus, to read about factors you should consider before purchasing any of the Offered Securities.

The Offered Securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus is April 12, 2013

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No person has been authorized to give any information or to make any representations in connection with this offering other than those contained or incorporated by reference in this Prospectus or an applicable Prospectus Supplement and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or any underwriter, dealer or agent. This Prospectus and any applicable Prospectus Supplement do not constitute an offer to sell or a solicitation of an offer to buy any securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the delivery of this Prospectus or any Prospectus Supplement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Company since the date hereof or thereof.

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