

APARTMENT INVESTMENT & MANAGEMENT CO
Form 10-Q
May 03, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q
(Mark One)

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

For the quarterly period ended March 31, 2013

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

For the transition period from _____ to _____
Commission File Number 1-13232 (Apartment Investment and Management Company)
Commission File Number 0-24497 (AIMCO Properties, L.P.)

Apartment Investment and Management Company
AIMCO Properties, L.P.
(Exact name of registrant as specified in its charter)

Maryland (Apartment Investment and Management Company) 84-1259577
Delaware (AIMCO Properties, L.P.) 84-1275621
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification
No.)

4582 South Ulster Street, Suite 1100
Denver, Colorado 80237
(Address of principal executive offices) (Zip Code)
(303) 757-8101
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Apartment Investment and Management Company: Yes No
AIMCO Properties, L.P.: Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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).

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Apartment Investment and Management Company: Yes No AIMCO Properties, L.P.: Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Apartment Investment and Management Company:

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

AIMCO Properties, L.P.:

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Apartment Investment and Management Company: Yes No AIMCO Properties, L.P.: Yes No

The number of shares of Apartment Investment and Management Company Class A Common Stock outstanding as of May 2, 2013: 145,906,270

Table of Contents

EXPLANATORY NOTE

This filing combines the reports on Form 10-Q for the quarterly period ended March 31, 2013, of Apartment Investment and Management Company, or Aimco, and AIMCO Properties, L.P., or the Aimco Operating Partnership. Where it is important to distinguish between the two entities, we refer to them specifically. Otherwise, references to “we,” “us” or “our” mean collectively Aimco, the Aimco Operating Partnership and their consolidated entities. Aimco, a Maryland corporation, is a self-administered and self-managed real estate investment trust, or REIT. Aimco, through wholly-owned subsidiaries, is the general and special limited partner of and, as of March 31, 2013, owned a 94.8% ownership interest in the common partnership units of, the Aimco Operating Partnership. The remaining 5.2% interest is owned by limited partners. As the sole general partner of the Aimco Operating Partnership, Aimco has exclusive control of the Aimco Operating Partnership’s day-to-day management.

The Aimco Operating Partnership holds all of Aimco’s assets and manages the daily operations of Aimco’s business and assets. Aimco is required to contribute all proceeds from offerings of its securities to the Aimco Operating Partnership. In addition, substantially all of Aimco’s assets must be owned through the Aimco Operating Partnership; therefore, Aimco is generally required to contribute all assets acquired to the Aimco Operating Partnership. In exchange for the contribution of offering proceeds or assets, Aimco receives additional interests in the Aimco Operating Partnership with similar terms (e.g., if Aimco contributes proceeds of a stock offering, Aimco receives partnership units with terms substantially similar to the stock issued by Aimco).

We believe combining the periodic reports of Aimco and Aimco Operating Partnership into this single report provides the following benefits:

- presents our business as a whole, in the same manner our management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosures apply to both Aimco and the Aimco Operating Partnership; and
- saves time and cost through the preparation of a single combined report rather than two separate reports.

We operate Aimco and the Aimco Operating Partnership as one enterprise and the management of Aimco directs the management and operations of the Aimco Operating Partnership.

We believe it is important to understand the few differences between Aimco and the Aimco Operating Partnership in the context of how Aimco and the Aimco Operating Partnership operate as a consolidated company. Aimco has no assets or liabilities other than its investment in the Aimco Operating Partnership. Also, Aimco is a corporation that issues publicly traded equity from time to time, whereas the Aimco Operating Partnership is a partnership that has no publicly traded equity. Except for the net proceeds from stock offerings by Aimco, which are contributed to the Aimco Operating Partnership in exchange for additional limited partnership interests (of a similar type and in an amount equal to the shares of stock sold in the offering), the Aimco Operating Partnership generates all remaining capital required by its business. These sources include the Aimco Operating Partnership’s working capital, net cash provided by operating activities, borrowings under its revolving credit facility, the issuance of secured and unsecured debt and equity securities, including additional partnership units, and proceeds received from the disposition of certain properties and investments in real estate.

Shareholders’ equity, partners’ capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of Aimco and those of the Aimco Operating Partnership. Interests in the Aimco Operating Partnership held by entities other than Aimco are classified within partners’ capital in the Aimco Operating Partnership’s financial statements and as noncontrolling interests in Aimco’s financial statements.

To help investors understand the differences between Aimco and the Aimco Operating Partnership, this report provides separate consolidated financial statements for Aimco and the Aimco Operating Partnership; a single set of consolidated notes to such financial statements that includes separate discussions of each entity’s shareholders’ equity or partners’ capital, as applicable; and a combined Management’s Discussion and Analysis of Financial Condition and Results of Operations section that includes discrete information related to each entity.

This report also includes separate Part I, Item 4. Controls and Procedures sections and separate Exhibits 31 and 32 certifications for Aimco and the Aimco Operating Partnership in order to establish that the requisite certifications have been made and that Aimco and the Aimco Operating Partnership are both compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and 18 U.S.C. §1350.

Table of Contents

APARTMENT INVESTMENT AND MANAGEMENT COMPANY
AIMCO PROPERTIES, L.P.

TABLE OF CONTENTS

FORM 10-Q

	Page
	<u>PART I. FINANCIAL INFORMATION</u>
ITEM 1.	<u>Financial Statements</u>
	<u>Apartment Investment and Management Company:</u>
	<u>Condensed Consolidated Balance Sheets as of March 31, 2013 and December 31, 2012 (Unaudited)</u> 3
	<u>Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2013 and 2012 (Unaudited)</u> 4
	<u>Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2013 and 2012 (Unaudited)</u> 5
	<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2013 and 2012 (Unaudited)</u> 6
	<u>AIMCO Properties, L.P.:</u>
	<u>Condensed Consolidated Balance Sheets as of March 31, 2013 and December 31, 2012 (Unaudited)</u> 7
	<u>Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2013 and 2012 (Unaudited)</u> 8
	<u>Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2013 and 2012 (Unaudited)</u> 9
	<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2013 and 2012 (Unaudited)</u> 10
	<u>Notes to the Condensed Consolidated Financial Statements of Apartment Investment and Management Company and AIMCO Properties, L.P. (Unaudited)</u> 11
ITEM 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 25
ITEM 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 38
ITEM 4.	<u>Controls and Procedures</u> 39
	<u>PART II. OTHER INFORMATION</u>
ITEM 1A.	<u>Risk Factors</u> 40
ITEM 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 40
ITEM 5.	<u>Other Information</u> 41
ITEM 6.	<u>Exhibits</u> 42
	<u>Signatures</u> 43

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

APARTMENT INVESTMENT AND MANAGEMENT COMPANY
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands, except share data)
 (Unaudited)

	March 31, 2013	December 31, 2012
ASSETS		
Buildings and improvements	\$6,450,361	\$6,384,259
Land	1,940,653	1,940,653
Total real estate	8,391,014	8,324,912
Less accumulated depreciation	(2,893,130)	(2,817,929)
Net real estate (\$590,309 and \$599,302 related to VIEs)	5,497,884	5,506,983
Cash and cash equivalents (\$26,353 and \$23,599 related to VIEs)	49,558	84,413
Restricted cash (\$37,893 and \$38,576 related to VIEs)	156,143	146,828
Accounts receivable, net	34,477	34,020
Notes receivable	102,748	102,897
Other assets (\$223,645 and \$221,638 related to VIEs)	529,583	520,219
Assets held for sale	—	6,020
Total assets	\$6,370,393	\$6,401,380
LIABILITIES AND EQUITY		
Non-recourse property debt (\$493,696 and \$495,012 related to VIEs)	\$4,664,260	\$4,684,536
Revolving credit facility borrowings	49,200	—
Total indebtedness	4,713,460	4,684,536
Accounts payable	25,235	30,747
Accrued liabilities and other (\$164,720 and \$162,795 related to VIEs)	319,417	318,639
Deferred income	123,652	128,574
Liabilities related to assets held for sale	—	3,944
Total liabilities	5,181,764	5,166,440
Preferred noncontrolling interests in Aimco Operating Partnership	80,030	80,046
Commitments and contingencies (Note 8)	—	—
Equity:		
Perpetual Preferred Stock	68,114	68,114
Common Stock, \$0.01 par value, 505,787,260 shares authorized, 145,897,813 and 145,563,903 shares issued/outstanding at March 31, 2013 and December 31, 2012, respectively	1,459	1,456
Additional paid-in capital	3,716,564	3,712,684
Accumulated other comprehensive loss	(4,664)	(3,542)
Distributions in excess of earnings	(2,893,093)	(2,863,287)
Total Aimco equity	888,380	915,425
Noncontrolling interests in consolidated real estate partnerships	253,474	271,065
Common noncontrolling interests in Aimco Operating Partnership	(33,255)	(31,596)
Total equity	1,108,599	1,154,894
Total liabilities and equity	\$6,370,393	\$6,401,380

See notes to condensed consolidated financial statements.

3

Table of ContentsAPARTMENT INVESTMENT AND MANAGEMENT COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended	
	March 31,	
	2013	2012
REVENUES		
Rental and other property revenues	\$248,198	\$244,249
Tax credit and asset management revenues	7,252	8,071
Total revenues	255,450	252,320
OPERATING EXPENSES		
Property operating expenses	101,876	98,792
Investment management expenses	1,433	3,388
Depreciation and amortization	80,331	86,632
Provision for real estate impairment losses	—	6,074
General and administrative expenses	11,779	11,624
Other expenses, net	2,224	5,741
Total operating expenses	197,643	212,251
Operating income	57,807	40,069
Interest income, net	6,425	2,460
Interest expense	(62,494)	(64,864)
Equity in income (losses) of unconsolidated real estate partnerships	524	(763)
(Loss) gain on dispositions and other, net	(1,510)	290
Income (loss) before income taxes and discontinued operations	752	(22,808)
Income tax (expense) benefit	(50)	225
Income (loss) from continuing operations	702	(22,583)
Income from discontinued operations, net	2,131	33,230
Net income	2,833	10,647
Noncontrolling interests:		
Net loss (income) attributable to noncontrolling interests in consolidated real estate partnerships	4,962	(7,765)
Net income attributable to preferred noncontrolling interests in Aimco Operating Partnership	(1,606)	(1,670)
Net (income) loss attributable to common noncontrolling interests in Aimco Operating Partnership	(297)	737
Net loss (income) attributable to noncontrolling interests	3,059	(8,698)
Net income attributable to Aimco	5,892	1,949
Net income attributable to Aimco preferred stockholders	(702)	(12,439)
Net income attributable to participating securities	(140)	(119)
Net income (loss) attributable to Aimco common stockholders	\$5,050	\$(10,609)
Earnings (loss) attributable to Aimco per common share – basic and diluted (Note 9):		
Loss from continuing operations attributable to Aimco common stockholders	\$—	\$(0.30)
Income from discontinued operations attributable to Aimco common stockholders	0.03	0.21
Net income (loss) attributable to Aimco common stockholders	\$0.03	\$(0.09)
Weighted average common shares outstanding – basic and diluted	145,169	120,526
Dividends declared per common share	\$0.24	\$0.18

See notes to condensed consolidated financial statements.

Table of ContentsAPARTMENT INVESTMENT AND MANAGEMENT COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Net income	\$2,833	\$10,647
Other comprehensive income (loss):		
Unrealized gains (losses) on interest rate swaps	176	(135)
Losses on interest rate swaps reclassified into interest expense from accumulated other comprehensive loss	420	426
Unrealized (losses) gains on debt securities classified as available-for-sale	(1,708)	2,573
Other comprehensive (loss) income	(1,112)	2,864
Comprehensive income	1,721	13,511
Comprehensive loss (income) attributable to noncontrolling interests	3,049	(8,893)
Comprehensive income attributable to Aimco	\$4,770	\$4,618

See notes to condensed consolidated financial statements.

Table of ContentsAPARTMENT INVESTMENT AND MANAGEMENT COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$2,833	\$10,647
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	80,331	86,632
Provision for real estate impairment losses	—	6,074
Equity in (income) losses of unconsolidated real estate partnerships	(524	) 763
Discontinued operations	(1,951	) (26,296
Other adjustments	(415	) 512
Net changes in operating assets and operating liabilities	(31,382	) (29,860
Net cash provided by operating activities	48,892	48,472
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of real estate	(896	) (40,005
Capital expenditures	(66,064	) (56,394
Proceeds from dispositions of real estate	2,898	78,696
Purchases of corporate assets	(2,029	) (2,552
Proceeds from sale of interests in and distributions from unconsolidated real estate partnerships	—	8,504
Other investing activities	(7,478	) 4,785
Net cash used in investing activities	(73,569	) (6,966
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from non-recourse property debt	81,658	15,574
Principal repayments on non-recourse property debt	(104,183	) (76,137
Net borrowings on revolving credit facility	49,200	67,400
Proceeds from issuance of Preferred Stock	—	9,836
Proceeds from Common Stock option exercises	983	1,854
Payment of dividends to holders of Preferred Stock	(702	) (12,439
Payment of dividends to holders of Common Stock	(34,996	) (21,806
Payment of distributions to noncontrolling interests	(15,702	) (15,725
Purchases of noncontrolling interests in consolidated real estate partnerships	(589	) (27,638
Other financing activities	14,153	9,743
Net cash used in financing activities	(10,178	) (49,338
NET DECREASE IN CASH AND CASH EQUIVALENTS	(34,855	) (7,832
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	84,413	91,066
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$49,558	\$83,234

See notes to condensed consolidated financial statements.

Table of Contents

AIMCO PROPERTIES, L.P.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands)
 (Unaudited)

	March 31, 2013	December 31, 2012
ASSETS		
Buildings and improvements	\$6,450,361	\$6,384,259
Land	1,940,653	1,940,653
Total real estate	8,391,014	8,324,912
Less accumulated depreciation	(2,893,130)	(2,817,929)
Net real estate (\$590,309 and \$599,302 related to VIEs)	5,497,884	5,506,983
Cash and cash equivalents (\$26,353 and \$23,599 related to VIEs)	49,558	84,413
Restricted cash (\$37,893 and \$38,576 related to VIEs)	156,143	146,828
Accounts receivable, net	34,477	34,020
Notes receivable	102,748	102,897
Other assets (\$223,645 and \$221,638 related to VIEs)	529,583	520,219
Assets held for sale	—	6,020
Total assets	\$6,370,393	\$6,401,380
LIABILITIES AND PARTNERS' CAPITAL		
Non-recourse property debt (\$493,696 and \$495,012 related to VIEs)	\$4,664,260	\$4,684,536
Revolving credit facility borrowings	49,200	—
Total indebtedness	4,713,460	4,684,536
Accounts payable	25,235	30,747
Accrued liabilities and other (\$164,720 and \$162,795 related to VIEs)	319,417	318,639
Deferred income	123,652	128,574
Liabilities related to assets held for sale	—	3,944
Total liabilities	5,181,764	5,166,440
Redeemable preferred units	80,030	80,046
Commitments and contingencies (Note 8)	—	—
Partners' Capital:		
Preferred units	68,114	68,114
General Partner and Special Limited Partner	820,266	847,311
Limited Partners	(33,255)	(31,596)
Partners' capital attributable to the Aimco Operating Partnership	855,125	883,829
Noncontrolling interests in consolidated real estate partnerships	253,474	271,065
Total partners' capital	1,108,599	1,154,894
Total liabilities and partners' capital	\$6,370,393	\$6,401,380

See notes to condensed consolidated financial statements.

Table of Contents

AIMCO PROPERTIES, L.P.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per unit data)

(Unaudited)

	Three Months Ended	
	March 31,	
	2013	2012
REVENUES		
Rental and other property revenues	\$248,198	\$244,249
Tax credit and asset management revenues	7,252	8,071
Total revenues	255,450	252,320
OPERATING EXPENSES		
Property operating expenses	101,876	98,792
Investment management expenses	1,433	3,388
Depreciation and amortization	80,331	86,632
Provision for real estate impairment losses	—	6,074
General and administrative expenses	11,779	11,624
Other expenses, net	2,224	5,741
Total operating expenses	197,643	212,251
Operating income	57,807	40,069
Interest income, net	6,425	2,460
Interest expense	(62,494)	(64,864)
Equity in income (losses) of unconsolidated real estate partnerships	524	(763)
(Loss) gain on dispositions and other, net	(1,510)	290
Income (loss) before income taxes and discontinued operations	752	(22,808)
Income tax (expense) benefit	(50)	225
Income (loss) from continuing operations	702	(22,583)
Income from discontinued operations, net	2,131	33,230
Net income	2,833	10,647
Net loss (income) attributable to noncontrolling interests in consolidated real estate partnerships	4,962	(7,765)
Net income attributable to the Aimco Operating Partnership	7,795	2,882
Net income attributable to the Aimco Operating Partnership's preferred unitholders	(2,308)	(14,109)
Net income attributable to participating securities	(140)	(119)
Net income (loss) attributable to the Aimco Operating Partnership's common unitholders	\$5,347	\$(11,346)
Earnings (loss) attributable to the Aimco Operating Partnership per common unit – basic and diluted (Note 9):		
Loss from continuing operations attributable to the Aimco Operating Partnership's common unitholders	\$—	\$(0.30)
Income from discontinued operations attributable to the Aimco Operating Partnership's common unitholders	0.03	0.21
Net income (loss) attributable to the Aimco Operating Partnership's common unitholders	\$0.03	\$(0.09)
Weighted average common units outstanding – basic and diluted	153,169	128,729
Distributions declared per common unit	\$0.24	\$0.18

See notes to condensed consolidated financial statements.

Table of Contents

AIMCO PROPERTIES, L.P.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended	
	March 31,	
	2013	2012
Net income	\$2,833	\$10,647
Other comprehensive income (loss):		
Unrealized gains (losses) on interest rate swaps	176	(135)
Losses on interest rate swaps reclassified into interest expense from accumulated other comprehensive loss	420	426
Unrealized (losses) gains on debt securities classified as available-for-sale	(1,708)	2,573
Other comprehensive (loss) income	(1,112)	2,864
Comprehensive income	1,721	13,511
Comprehensive loss (income) attributable to noncontrolling interests	4,890	(7,751)
Comprehensive income attributable to the Aimco Operating Partnership	\$6,611	\$5,760

See notes to condensed consolidated financial statements.

Table of Contents

AIMCO PROPERTIES, L.P.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$2,833	\$10,647
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	80,331	86,632
Provision for real estate impairment losses	—	6,074
Equity in (income) losses of unconsolidated real estate partnerships	(524	) 763
Discontinued operations	(1,951	) (26,296
Other adjustments	(415	) 512
Net changes in operating assets and operating liabilities	(31,382	) (29,860
Net cash provided by operating activities	48,892	48,472
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of real estate	(896	) (40,005
Capital expenditures	(66,064	) (56,394
Proceeds from dispositions of real estate	2,898	78,696
Purchases of corporate assets	(2,029	) (2,552
Proceeds from sale of interests in and distributions from unconsolidated real estate partnerships	—	8,504
Other investing activities	(7,478	) 4,785
Net cash used in investing activities	(73,569	) (6,966
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from non-recourse property debt	81,658	15,574
Principal repayments on non-recourse property debt	(104,183	) (76,137
Net borrowings on revolving credit facility	49,200	67,400
Proceeds from issuance of Preferred Units to Aimco	—	9,836
Proceeds from Aimco Common Stock option exercises	983	1,854
Payment of distributions to Preferred Units	(2,308	) (14,109
Payment of distributions to General Partner and Special Limited Partner	(34,996	) (21,806
Payment of distributions to Limited Partners	(1,921	) (1,463
Payment of distributions to noncontrolling interests	(12,175	) (12,592
Purchases of noncontrolling interests in consolidated real estate partnerships	(589	) (27,638
Other financing activities	14,153	9,743
Net cash used in financing activities	(10,178	) (49,338
NET DECREASE IN CASH AND CASH EQUIVALENTS	(34,855	) (7,832
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	84,413	91,066
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$49,558	\$83,234

See notes to condensed consolidated financial statements.

Table of Contents

APARTMENT INVESTMENT AND MANAGEMENT COMPANY
AIMCO PROPERTIES, L.P.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013

(Unaudited)

NOTE 1 — Organization

Apartment Investment and Management Company, or Aimco, is a Maryland corporation incorporated on January 10, 1994. Aimco is a self-administered and self-managed real estate investment trust, or REIT. AIMCO Properties, L.P., or the Aimco Operating Partnership, is a Delaware limited partnership formed on May 16, 1994, to conduct our business, which is focused on the ownership, management and redevelopment of quality apartment communities located in the largest coastal and job growth markets of the United States.

Aimco, and through its wholly-owned subsidiaries, AIMCO-GP, Inc. and AIMCO-LP Trust, owns a majority of the ownership interests in the Aimco Operating Partnership. Aimco conducts all of its business and owns all of its assets through the Aimco Operating Partnership. Interests in the Aimco Operating Partnership that are held by limited partners other than Aimco are referred to as “OP Units.” OP Units include common partnership units, high performance partnership units and partnership preferred units, which we refer to as common OP Units, HPU and preferred OP Units, respectively. We also refer to HPUs as common OP Unit equivalents. At March 31, 2013, after eliminations for units held by consolidated entities, the Aimco Operating Partnership had 153,891,384 common partnership units and equivalents outstanding. At March 31, 2013, Aimco owned 145,897,813 of the common partnership units (94.8% of the common partnership units and equivalents of the Aimco Operating Partnership) and Aimco had outstanding an equal number of shares of its Class A Common Stock, which we refer to as Common Stock.

Except as the context otherwise requires, “we,” “our” and “us” refer to Aimco, the Aimco Operating Partnership and their consolidated subsidiaries, collectively.

As of March 31, 2013, we owned an equity interest in 175 conventional real estate properties with 55,884 units and 84 affordable real estate properties with 11,376 units. Of these properties, we consolidated 171 conventional properties with 55,742 units and 68 affordable properties with 10,262 units. These conventional and affordable properties generated 90% and 10%, respectively, of our proportionate property net operating income (as defined in Note 11) during the three months ended March 31, 2013.

NOTE 2 — Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, have been condensed or omitted in accordance with such rules and regulations, although management believes the disclosures are adequate to prevent the information presented from being misleading. In the opinion of management, all adjustments (consisting of normal recurring items) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2013, are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

The balance sheets of Aimco and the Aimco Operating Partnership at December 31, 2012, have been derived from their audited financial statements at that date, but do not include all of the information and disclosures required by GAAP for complete financial statements. For further information, refer to the financial statements and notes thereto included in Aimco’s and the Aimco Operating Partnership’s combined Annual Report on Form 10-K for the year ended December 31, 2012. Certain 2012 financial statement amounts have been reclassified to conform to the 2013 presentation, including adjustments for discontinued operations. Except where indicated, the footnotes refer to both Aimco and the Aimco Operating Partnership.

Principles of Consolidation

Aimco's accompanying condensed consolidated financial statements include the accounts of Aimco, the Aimco Operating Partnership, and their consolidated subsidiaries. The Aimco Operating Partnership's condensed consolidated financial statements include the accounts of the Aimco Operating Partnership and its consolidated entities.

Table of Contents

We consolidate all variable interest entities for which we are the primary beneficiary. Generally, we consolidate real estate partnerships and other entities that are not variable interest entities when we own, directly or indirectly, a majority voting interest in the entity or are otherwise able to control the entity. All significant intercompany balances and transactions have been eliminated in consolidation.

Interests in the Aimco Operating Partnership that are held by limited partners other than Aimco are reflected in Aimco's accompanying balance sheets as noncontrolling interests in Aimco Operating Partnership. Interests in partnerships consolidated into the Aimco Operating Partnership that are held by third parties are reflected in our accompanying balance sheets as noncontrolling interests in consolidated real estate partnerships. The assets of consolidated real estate partnerships owned or controlled by the Aimco Operating Partnership generally are not available to pay creditors of Aimco or the Aimco Operating Partnership.

As used herein, and except where the context otherwise requires, "partnership" refers to a limited partnership or a limited liability company and "partner" refers to a partner in a limited partnership or a member in a limited liability company.

Variable Interest Entities

We consolidate all variable interest entities for which we are the primary beneficiary. Generally, a variable interest entity, or VIE, is a legal entity in which the equity investors do not have the characteristics of a controlling financial interest or the equity investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. In determining whether we are the primary beneficiary of a VIE, we consider qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE's economic performance and which party controls such activities; the amount and characteristics of our investment; the obligation or likelihood for us or other investors to provide financial support; and the similarity with and significance to the business activities of us and the other investors. Significant judgments related to these determinations include estimates about the current and future fair values and performance of real estate held by these VIEs and general market conditions. Refer to Note 5 for further information regarding our involvement with VIEs.

Temporary Equity and Partners' Capital

The following table presents a reconciliation of the Aimco Operating Partnership's Preferred OP Units from December 31, 2012 to March 31, 2013 (in thousands). These amounts are presented within temporary equity in Aimco's condensed consolidated balance sheets as preferred noncontrolling interests in the Aimco Operating Partnership, and within temporary capital in the Aimco Operating Partnership's condensed consolidated balance sheets as redeemable preferred units.

Balance, December 31, 2012	\$80,046
Distributions to preferred unitholders	(1,606)
Redemption of preferred units	(16)
Net income	1,606
Balance, March 31, 2013	\$80,030

Table of Contents

Aimco Equity (including Noncontrolling Interests)

The following table presents a reconciliation of Aimco's consolidated permanent equity accounts from December 31, 2012 to March 31, 2013 (in thousands):

	Aimco Equity	Noncontrolling interests in consolidated real estate partnerships	Common noncontrolling interests in Aimco Operating Partnership	Total Equity
Balance, December 31, 2012	\$915,425	\$271,065	\$(31,596)	\$1,154,894
Contributions	—	727	—	727
Preferred stock dividends	(702)	) —	—	(702)
Common dividends and distributions	(34,996)	) (13,428)	) (1,921)	(50,345)
Redemptions of common OP Units	—	—	(338)	(338)
Amortization of stock-based compensation cost	2,157	—	—	2,157
Stock option exercises	983	—	—	983
Change in accumulated other comprehensive loss	(1,122)	) 72	(62)	(1,112)
Other	743	—	365	1,108
Net income (loss)	5,892	(4,962)	) 297	1,227
Balance, March 31, 2013	\$888,380	\$253,474	\$(33,255)	\$1,108,599

Partners' Capital attributable to the Aimco Operating Partnership

The following table presents a reconciliation of the consolidated partners' capital balances in permanent capital that are attributable to the Aimco Operating Partnership from December 31, 2012 to March 31, 2013 (in thousands):

	Partners' capital attributable to the Partnership
Balance, December 31, 2012	\$883,829
Distributions to preferred units held by Aimco	(702)
Distributions to common units held by Aimco	(34,996)
Distributions to common units held by Limited Partners	(1,921)
Redemption of common OP Units	(338)
Amortization of Aimco stock-based compensation cost	2,157
Common OP Units issued to Aimco in connection with Aimco stock option exercises	983
Change in accumulated other comprehensive loss	(1,184)
Other	1,108
Net income	6,189
Balance, March 31, 2013	\$855,125

A separate reconciliation of noncontrolling interests in consolidated real estate partnerships and total partners' capital for the Aimco Operating Partnership is not presented as these amounts are identical to the corresponding noncontrolling interests in consolidated real estate partnerships and total equity for Aimco, which are presented above.

Income Taxes

On October 25, 2012, the Internal Revenue Service issued Final Partnership Administrative Adjustments with respect to the Aimco Operating Partnership 2006 and 2007 tax years. On January 18, 2013, AIMCO-GP, Inc., in its capacity as tax matters partner of the Aimco Operating Partnership, filed a petition challenging those adjustments in the United States Tax Court in Washington, D.C. We do not expect the litigation regarding the 2006 or 2007 proposed adjustments to have any material effect on our unrecognized tax benefits, financial condition or results of operations.

Table of Contents

Use of Estimates

The preparation of our condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts included in the financial statements and accompanying notes thereto. Actual results could differ from those estimates.

NOTE 3 — Assets Held for Sale and Discontinued Operations

We report as discontinued operations real estate properties that meet the definition of a component of an entity and have been sold or meet the criteria to be classified as held for sale. We include all results of these discontinued operations, less applicable income taxes, in a separate component of income on the consolidated statements of operations under the heading “income from discontinued operations, net.” This treatment resulted in the retrospective adjustment of the statements of operations for the three months ended March 31, 2012 and the balance sheet as of December 31, 2012.

We are currently marketing for sale certain real estate properties that are inconsistent with our long-term investment strategy. At the end of each reporting period, we evaluate whether such properties meet the criteria to be classified as held for sale, including whether such properties are expected to be sold within 12 months. Additionally, certain properties that do not meet all of the criteria to be classified as held for sale at the balance sheet date may nevertheless be sold and included in discontinued operations in the subsequent 12 months; thus the number of properties that may be sold during the subsequent 12 months could exceed the number classified as held for sale. At December 31, 2012, after adjustments to classify as held for sale properties that were sold during the three months ended March 31, 2013, we had three properties with an aggregate of 66 units classified as held for sale. Amounts classified as held for sale in the accompanying condensed consolidated balance sheets as of December 31, 2012 are as follows (in thousands):

	December 31, 2012
Real estate, net	\$5,670
Other assets	350
Assets held for sale	\$6,020
Property debt	\$3,910
Other liabilities	34
Liabilities related to assets held for sale	\$3,944

During the three months ended March 31, 2013 and 2012, we sold three properties and ten properties with an aggregate of 66 units and 1,573 units, respectively. During the year ended December 31, 2012, we sold 75 consolidated properties with an aggregate of 11,232 units. For the three months ended March 31, 2013 and 2012, discontinued operations includes the results of operations for the periods prior to the date of disposition for all properties sold of as of March 31, 2013.

Table of Contents

The following is a summary of the components of income from discontinued operations and the related amounts of income from discontinued operations attributable to Aimco, the Aimco Operating Partnership and noncontrolling interests for the three months ended March 31, 2013 and 2012 (in thousands):

	Three Months Ended March 31,	
	2013	2012
Rental and other property revenues	\$183	\$25,081
Property operating expenses	(11)	(12,716)
Depreciation and amortization	(40)	(8,780)
Recovery of (provision for) real estate impairment losses	227	(611)
Operating income	359	2,974
Interest income	54	148
Interest expense	(46)	(5,579)
Income (loss) before gain on dispositions of real estate and income tax	367	(2,457)
Gain on dispositions of real estate	1,943	35,692
Income tax expense	(179)	(5)
Income from discontinued operations, net	\$2,131	\$33,230
Loss (income) from discontinued operations attributable to noncontrolling interests in consolidated real estate partnerships	3,243	(6,540)
Income from discontinued operations attributable to the Aimco Operating Partnership	\$5,374	\$26,690
Income from discontinued operations attributable to noncontrolling interests in Aimco Operating Partnership	(291)	(1,687)
Income from discontinued operations attributable to Aimco	\$5,083	\$25,003

Gain on dispositions of real estate is reported net of incremental direct costs incurred in connection with the transactions, including any prepayment penalties incurred upon repayment of property loans collateralized by the properties being sold. Such prepayment penalties totaled \$0.3 million and \$1.4 million for the three months ended March 31, 2013 and 2012, respectively. We classify interest expense related to property debt within discontinued operations when the related real estate asset is sold or classified as held for sale.

In connection with properties sold or classified as held for sale during the three months ended March 31, 2013 and 2012, we allocated \$0.2 million and \$0.7 million, respectively, of goodwill related to our conventional and affordable segments to the carrying amounts of the properties sold. The amounts of goodwill allocated to these properties were based on the relative fair values of the properties sold or classified as held for sale and the retained portions of the reporting units to which the goodwill was allocated.

In connection with our real estate dispositions during the three months ended March 31, 2013 and 2012, the purchasers assumed approximately \$2.1 million and \$8.0 million, respectively, of non-recourse property debt.

NOTE 4 — Other Significant Transactions**Asset Management Business Disposition**

On December 19, 2012, we closed the sale of the Napico portfolio, our legacy asset management business. The transaction was primarily seller-financed, and the associated notes are scheduled to be repaid over six years. The notes will be repaid from the operation and liquidation of the Napico portfolio and are collateralized by the buyer's interests in the portfolio.

In accordance with the provisions of GAAP applicable to sales of real estate or interests therein, for accounting purposes, we have not recognized a sale and will account for the transaction under the profit sharing method. Under this method, until full payment has been received for the seller-financed notes, we will continue to recognize the portfolio's assets and liabilities, each condensed into single line items within other assets and accrued liabilities and other, respectively, in our consolidated balance sheets for all dates following the transaction. Similarly, we will continue to recognize the portfolio's results of operations, also condensed into a single line item within our consolidated statements of operations, for periods subsequent to the transaction. Any cash payments we receive under the sale and related financing will be reflected as deferred income in our consolidated balance sheets until full

payment has been received for the seller-financed notes.

15

Table of Contents

At March 31, 2013, the Napico portfolio consisted of 20 partnerships that held investments in 17 apartment properties that were consolidated and 101 apartment properties that were accounted for under the equity or cost method of accounting. The portfolio's assets and liabilities included in our condensed consolidated balance sheets are summarized below (in thousands):

	March 31, 2013	December 31, 2012
Real estate, net	\$129,208	\$127,025
Cash and cash equivalents and restricted cash	30,052	31,560
Investment in unconsolidated real estate partnerships	15,354	15,997
Other assets	4,248	4,163
Total assets	\$178,862	\$178,745
Total indebtedness	\$113,710	\$110,737
Accrued and other liabilities	29,099	29,435
Total liabilities	\$142,809	\$140,172

Real estate and indebtedness increased from December 31, 2012 to March 31, 2013 based on the consolidation of a property following the portfolio's assumption of a general partner interest in the property owning partnership.

Summarized information regarding the Napico portfolio's results of operations, including any expense we recognize under the profit sharing method is shown below and is included in loss on dispositions and other in our condensed consolidated statement of operations (in thousands):

	Three Months Ended March 31, 2013
Revenues	\$5,938
Expenses	(6,268)
Equity in earnings or loss of unconsolidated entities, gains or losses on dispositions and other, net	(1,097)
Net loss related to legacy asset management business	(1,427)
Noncontrolling interests in consolidated real estate partnerships	1,787
Net income of legacy asset management business attributable to Aimco and the Aimco Operating Partnership	\$360

Based on our limited historical economic ownership in this portfolio, a significant portion of the assets and liabilities and results of operations shown are attributable to noncontrolling interests and do not significantly affect consolidated equity, partners' capital and income or loss attributable to Aimco or the Aimco Operating Partnership. At March 31, 2013 and December 31, 2012, noncontrolling interests in consolidated real estate partnerships within our consolidated balance sheet included \$54.2 million and \$57.2 million, respectively, related to the Napico portfolio. Income or loss attributable to these noncontrolling interests will continue to be recognized commensurate with the recognition of the results of operations of the portfolio. If full payment is received on the notes and we meet the requirements to recognize the sale for accounting purposes, we expect to recognize a gain attributable to Aimco and the Aimco Operating Partnership.

NOTE 5 — Variable Interest Entities

As of March 31, 2013, we were the primary beneficiary of, and therefore consolidated, 70 VIEs, which owned 56 apartment properties with 9,792 units. Real estate with a carrying value of \$590.3 million collateralized \$493.7 million of debt of those VIEs. Any significant amounts of assets and liabilities related to our consolidated VIEs are identified parenthetically on our accompanying condensed consolidated balance sheets. The creditors of the consolidated VIEs do not have recourse to our general credit.

As of March 31, 2013, we also held variable interests in 39 VIEs for which we were not the primary beneficiary. Those VIEs consist primarily of partnerships that are engaged, directly or indirectly, in the ownership and management of 92 apartment properties with 2,360 units. We are involved with those VIEs as an equity holder or lender. Our maximum risk of loss related to our investment in these VIEs is generally limited to our \$4.1 million recorded investment in such entities, which is included in other assets within our consolidated balances sheets.

In addition to our investments in unconsolidated VIEs discussed above, at March 31, 2013, we had in aggregate \$96.6 million of receivables from unconsolidated VIEs (primarily notes receivable collateralized by second mortgages on real estate properties as further discussed in Note 8). Our maximum risk of loss associated with our lending activities related to these unconsolidated VIEs is limited to these amounts. We may be subject to additional losses to the extent of any receivables relating to future provision of services to these entities or financial support that we voluntarily provide.

Table of Contents

In addition to the consolidated and unconsolidated VIEs discussed above, at March 31, 2013, our consolidated financial statements included certain consolidated and unconsolidated VIEs that were sold in connection with the sale of our legacy asset management business.

NOTE 6 — Derivative Financial Instruments

We have limited exposure to derivative financial instruments. We primarily use long-term, fixed-rate and self-amortizing non-recourse debt to avoid, among other things, risk related to fluctuating interest rates. For our variable rate debt, we are sometimes required by our lenders to limit our exposure to interest rate fluctuations by entering into interest rate swap agreements, which moderate our exposure to interest rate risk by effectively converting the interest on variable rate debt to a fixed rate. The fair values of the interest rate swaps are reflected as assets or liabilities in the balance sheet, and periodic changes in fair value are included in interest expense or equity and partners' capital, as appropriate.

As of March 31, 2013 and December 31, 2012, we had interest rate swaps with aggregate notional amounts of \$51.0 million, and recorded fair values of \$7.4 million and \$8.0 million, respectively, reflected in accrued liabilities and other in our condensed consolidated balance sheets. At March 31, 2013, these interest rate swaps had a weighted average term of 7.8 years. We have designated these interest rate swaps as cash flow hedges and recognize any changes in their fair value as an adjustment of accumulated other comprehensive loss within equity to the extent of their effectiveness. Changes in the fair value of these instruments and the related amounts of such changes that were reflected as an adjustment of accumulated other comprehensive loss within equity and as an adjustment of earnings (ineffectiveness) are discussed in Note 7.

If the forward rates at March 31, 2013 remain constant, we estimate that during the next 12 months, we would reclassify into earnings approximately \$1.7 million of the unrealized losses in accumulated other comprehensive loss. If market interest rates increase above the 3.43% weighted average fixed rate under these interest rate swaps we will benefit from net cash payments due to us from our counterparty to the interest rate swaps.

At March 31, 2013 and December 31, 2012, we had borrowings payable subject to total rate of return swaps with aggregate outstanding principal balances of \$74.0 million that were collateralized by four properties. We use total rate of return swaps to convert fixed-rate property debt obligations to a variable rate to lower our cost of borrowing. In exchange for our receipt of a fixed rate equal to the underlying borrowing's interest rate, the total rate of return swaps require that we pay a variable rate plus a risk spread. The underlying borrowings are callable at our option, with no prepayment penalty. We have designated the total rate of return swaps as hedges of the risk of overall changes in the fair value of the underlying borrowings. At each reporting period, we estimate the fair value of these borrowings and the total rate of return swaps and recognize any changes therein as an adjustment of interest expense. During the periods presented, we determined these hedges were fully effective and accordingly we made no adjustments to interest expense for ineffectiveness.

At March 31, 2013, the weighted average fixed receive rate under the total return swaps was 5.9% and the weighted average variable pay rate was 2.1%, based on the applicable index rate effective as of that date. The debt subject to these total rate of return swaps matures in 2036 whereas the corresponding swaps mature in May 2014.

The total rate of return swaps require specified loan-to-value ratios which may require us to pay down the debt or provide additional collateral. At March 31, 2013 and December 31, 2012, we had provided \$20.0 million of cash collateral pursuant to the swap agreements, which is included in restricted cash in our condensed consolidated balance sheets.

NOTE 7 — Fair Value Measurements

In accordance with GAAP, we are required to measure certain assets and liabilities in our consolidated financial statements at fair value. Certain assets, such as our investment in the first loss and mezzanine positions in a securitization trust that holds certain of our property debt, our interest rate swaps (IR swaps), total rate of return swaps (TRR swaps), and the debt subject to TRR swaps (TRR debt) are required to be measured at fair value on a quarterly basis. Other assets, such as real estate, are required to be measured at fair value when we determine that the carrying amount of an asset held for use is no longer recoverable, or to be measured at fair value less estimated costs to sell when we determine that the carrying amount of an asset classified as held for sale is no longer recoverable.

We are required to classify these fair value measurements into one of three categories, based on the nature of the inputs used in the fair value measurement. Level 1 of the hierarchy includes fair value measurements based on unadjusted quoted prices in active markets for identical assets or liabilities we can access at the measurement date. Level 2 includes fair value measurements based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 includes fair value measurements based on unobservable inputs. The classification of fair value measurements is subjective and GAAP requires us to disclose more detailed information regarding those fair value measurements classified within the lower levels of the hierarchy.

Table of Contents

Recurring Fair Value Measurements

The table below presents information regarding significant items measured in our condensed consolidated financial statements at fair value on a recurring basis, consisting of investments in the securitization trust discussed above, which we classify as available for sale (AFS), IR swaps, TRR swaps and TRR debt (in thousands):

	Level 2		Level 3		Total
	AFS (1)	IR swaps (2)	TRR swaps (3)	TRR debt (4)	
Fair value at December 31, 2011	\$51,693	\$(7,012)	\$(5,841)	\$5,841	\$44,681
Investment accretion	748	—	—	—	748
Unrealized gains (losses) included in interest expense (5)	—	(12)	936	(936)	(12)
Losses on interest rate swaps reclassified into interest expense from accumulated other comprehensive loss	—	426	—	—	426
Unrealized gains included in equity and partners' capital	2,573	(135)	—	—	2,438
Fair value at March 31, 2012	\$55,014	\$(6,733)	\$(4,905)	\$4,905	\$48,281
Fair value at December 31, 2012	\$59,145	\$(7,968)	\$(2,581)	\$2,581	\$51,177
Investment accretion	830	—	—	—	830
Unrealized gains (losses) included in interest expense (5)	—	(12)	863	(863)	(12)
Losses on interest rate swaps reclassified into interest expense from accumulated other comprehensive loss	—	420	—	—	420
Unrealized (losses) gains included in equity and partners' capital	(1,708)	176	—	—	(1,532)
Fair value at March 31, 2013	\$58,267	\$(7,384)	\$(1,718)	\$1,718	\$50,883

Our investments classified as AFS are presented within other assets in the accompanying condensed consolidated balance sheets. We estimate the fair value of these investments using an income and market approach with primarily observable inputs, including yields and other information regarding similar types of investments, and adjusted for certain unobservable inputs specific to these investments. We are accreting the discount to the \$100.9 million face value of the investments into interest income using the effective interest method over the remaining expected term of the investments, which, as of March 31, 2013, was approximately 8.2 years. Our amortized cost basis for these investments, which represents the original cost adjusted for interest accretion less interest payments received, was \$57.1 million and \$56.3 million at March 31, 2013 and December 31, 2012, respectively.

The fair value of IR swaps is estimated using an income approach with primarily observable inputs including information regarding the hedged variable cash flows and forward yield curves relating to the variable interest rates on which the hedged cash flows are based.

TRR swaps have contractually-defined termination values generally equal to the difference between the fair value and the counterparty's purchased value of the underlying borrowings. We calculate the termination value, which we believe is representative of the fair value, of total rate of return swaps using a market approach by reference to estimates of the fair value of the underlying borrowings, which are discussed below, and an evaluation of potential changes in the credit quality of the counterparty to these arrangements.

This represents changes in fair value of debt subject to TRR swaps. We estimate the fair value of debt instruments using an income and market approach, including comparison of the contractual terms to observable and unobservable inputs such as market interest rate risk spreads, contractual interest rates, remaining periods to maturity, collateral quality and loan-to-value ratios on similarly encumbered assets within our portfolio. We handle a large volume of financing transactions annually and use pricing information obtained during the financing process to evaluate market pricing information for reasonableness.

(5) Unrealized gains (losses) for the TRR swaps and TRR debt relate to periodic revaluations of fair value and are included in interest expense in the accompanying condensed consolidated statements of operations.

18

Table of Contents

Due to their subjectivity, GAAP requires us to disclose additional quantitative and qualitative information about the unobservable inputs significant to our Level 3 fair value measurements. The unobservable inputs significant to our estimation of the fair value of TRR debt classified within Level 3 includes information about the property debt, such as the payment schedule, contractual interest rate and loan-to-value ratio (computed using real estate values estimated as described below). Based on the impracticality of providing payment schedules for our nonrecourse property debt measured at fair value, we believe the disclosure of the weighted average maturity date is meaningful in the context of the related valuation input. Information regarding the weighted average unobservable inputs for TRR debt measured at fair value during the three months ended March 31, 2013 and 2012 is as follows:

	2013	2012		
Number of properties encumbered by nonrecourse property debt measured at fair value during period	4	4		
Weighted average interest rate	5.9	% 5.8		%
Weighted average maturity in years	23.7	24.7		
Weighted average loan-to-value ratio	76.8	% 80.2		%

Of these unobservable inputs significant to the TRR debt fair value measurement, the loan-to-value ratio is the only input to which the fair value measurement is sensitive to changes, as the property debt interest rates and maturities are not subject to adjustment. Holding constant the other observable inputs which may also be significant to the fair value measurement, such as market interest rates for similar types of debt, we believe any increase in the loan-to-value ratios for the TRR debt would result in a decrease in the fair value of the TRR debt and any decrease in the loan-to-value ratios would result in an increase in the fair value of the TRR debt. Based on the relationship of the fair value of the TRR debt to that of the TRR swaps, we believe any increase or decrease in the fair value of the TRR debt would have an equal and offsetting decrease or increase in the fair value of the TRR swaps, and therefore would have no effect on our financial position, results of operations or liquidity.

Nonrecurring Fair Value Measurements

During the three months ended March 31, 2012, we reduced the aggregate carrying amounts of three assets classified as held for use from \$19.9 million to their estimated fair values of \$13.7 million, resulting in an impairment loss of \$6.2 million.

The fair values for the properties we impaired during these periods were based primarily on contract prices for pending sales or expected sales values of the properties. The contract prices were based in part on unobservable inputs classified within Level 3 of the fair value hierarchy, but were also based on observable inputs that can be validated to observable external sources, such as pricing information about widely marketed real estate properties for sale.

The unobservable inputs significant to our estimation of the fair value of real estate impaired during the periods include, among other things, information such as the properties' net operating income, or NOI, free cash flow, or FCF, which represents the property's NOI less capital spending required to maintain the condition of the property, and assumptions about NOI and FCF growth rates and exit values. A FCF internal rate of return, which represents the rate of return generated by discounting the expected FCF from the property and the proceeds from its eventual sale, is a common benchmark used in the real estate industry for relative comparison of real estate valuations. The projected cash flows, including the expected sales prices, on which the impairment losses were based translated to weighted average implied FCF internal rates of return of 5.76% for the properties impaired during the three months ended March 31, 2012.

Fair Value Disclosures

We believe that the aggregate fair value of our cash and cash equivalents, receivables and payables approximates their aggregate carrying amounts at March 31, 2013 and December 31, 2012, due to their relatively short-term nature and high probability of realization. The estimated aggregate fair value of our notes receivable (including notes receivable from unconsolidated real estate partnerships, which we classify within other assets in our condensed consolidated balance sheets) was approximately \$103.2 million and \$100.0 million at March 31, 2013 and December 31, 2012, respectively, as compared to their carrying amounts of \$111.0 million and \$107.9 million, respectively. The estimated aggregate fair value of our consolidated debt (including amounts reported in liabilities related to assets held for sale) was approximately \$5.1 billion at both March 31, 2013 and December 31, 2012, as compared to aggregate carrying

amounts of \$4.7 billion. We classify within Level 3 of the valuation hierarchy the fair values of our notes receivable and consolidated debt disclosed above, based on the significance of certain of the unobservable inputs used to estimate their fair values. The fair value of our notes receivable and consolidated debt is estimated using a methodology consistent with that described above for the property debt we measure at fair value on a recurring and nonrecurring basis.

Table of Contents

NOTE 8 — Commitments and Contingencies

Commitments

In connection with our redevelopment and capital improvement activities, we have commitments of approximately \$206.9 million related to construction projects, most of which we expect to incur during the next 24 months. Pursuant to financing arrangements on our Lincoln Place, Pacific Bay Vistas, The Preserve at Marin and Elm Creek conventional redevelopment properties, we are contractually obligated to complete the planned projects. Additionally, we enter into certain commitments for future purchases of goods and services in connection with the operations of our properties. Those commitments generally have terms of one year or less and reflect expenditure levels comparable to our historical expenditures for properties included in continuing operations.

As discussed in Note 5, we have loans receivable secured by certain properties in West Harlem in New York City. The obligor under these notes has the ability to put these properties to us upon the achievement of certain operating performance thresholds. Our acquisition of these properties pursuant to this put option would result in a cash payment by us of approximately \$31.1 million at the lower performance threshold and approximately \$60.7 million at the higher performance threshold, and our assumption of approximately \$118.1 million in property debt.

Tax Credit Arrangements

We are required to manage certain consolidated real estate partnerships in compliance with various laws, regulations and contractual provisions that apply to our historic and low-income housing tax credit syndication arrangements. In some instances, noncompliance with applicable requirements could result in projected tax benefits not being realized and require a refund or reduction of investor capital contributions, which are reported as deferred income in our condensed consolidated balance sheet, until such time as our obligation to deliver tax benefits is relieved. The remaining compliance periods for our tax credit syndication arrangements range from less than one year to 13 years. We do not anticipate that any material refunds or reductions of investor capital contributions will be required in connection with these arrangements.

Legal Matters

In addition to the matters described below, we are a party to various legal actions and administrative proceedings arising in the ordinary course of business, some of which are covered by our general liability insurance program, and none of which we expect to have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

Limited Partnerships

In connection with our acquisitions of interests in real estate partnerships, we are sometimes subject to legal actions, including allegations that such activities may involve breaches of fiduciary duties to the partners of such real estate partnerships or violations of the relevant partnership agreements. We may incur costs in connection with the defense or settlement of such litigation. We believe that we comply with our fiduciary obligations and relevant partnership agreements. Although the outcome of any litigation is uncertain, we do not expect any such legal actions to have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

Environmental

Various Federal, state and local laws subject property owners or operators to liability for management, and the costs of removal or remediation, of certain potentially hazardous materials present on a property, including lead-based paint, asbestos, polychlorinated biphenyls, petroleum-based fuels, and other miscellaneous materials. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such materials. The presence of, or the failure to manage or remedy properly, these materials may adversely affect occupancy at affected apartment communities and the ability to sell or finance affected properties. In addition to the costs associated with investigation and remediation actions brought by government agencies, and potential fines or penalties imposed by such agencies in connection therewith, the improper management of these materials on a property could result in claims by private plaintiffs for personal injury, disease, disability or other infirmities. Various laws also impose liability for the cost of removal, remediation or disposal of these materials through a licensed disposal or treatment facility. Anyone who arranges for the disposal or treatment of these materials is potentially liable under such laws for the proper operation of the disposal facility. These laws often impose liability whether or not the person arranging for the disposal ever owned or operated the disposal facility. In connection with

the ownership, operation and management of properties, we could potentially be responsible for environmental liabilities or costs associated with our properties or properties we acquire or manage in the future.

Table of Contents

We have determined that our legal obligations to remove or remediate certain potentially hazardous materials may be conditional asset retirement obligations, as defined in GAAP. Except in limited circumstances where the asset retirement activities are expected to be performed in connection with a planned construction project or property casualty, we believe that the fair value of our asset retirement obligations cannot be reasonably estimated due to significant uncertainties in the timing and manner of settlement of those obligations. Asset retirement obligations that are reasonably estimable as of March 31, 2013, are immaterial to our consolidated financial condition, results of operations and cash flows.

NOTE 9 — Earnings (Loss) per Share/Unit

Aimco

Aimco calculates earnings (loss) per share based on the weighted average number of shares of Common Stock, participating securities, common stock equivalents and dilutive convertible securities outstanding during the period. The following table illustrates Aimco's calculation of basic and diluted earnings (loss) per share for the three months ended March 31, 2013 and 2012 (in thousands, except per share data):

	Three Months Ended	
	March 31,	
	2013	2012
Numerator:		
Income (loss) from continuing operations	\$702	\$(22,583)
Loss (income) from continuing operations attributable to noncontrolling interests	107	(471)
Income attributable to preferred stockholders	(702)	(12,439)
Income attributable to participating securities	(140)	(119)
Loss from continuing operations attributable to Aimco common stockholders	\$(33)	\$(35,612)
Income from discontinued operations	\$2,131	\$33,230
Loss (income) from discontinued operations attributable to noncontrolling interests	2,952	(8,227)
Income from discontinued operations attributable to Aimco common stockholders	\$5,083	\$25,003
Net income	\$2,833	\$10,647
Net loss (income) attributable to noncontrolling interests	3,059	(8,698)
Income attributable to preferred stockholders	(702)	(12,439)
Income attributable to participating securities	(140)	(119)
Net income (loss) attributable to Aimco common stockholders	\$5,050	\$(10,609)
Denominator:		
Denominator for basic earnings per share — weighted average number of shares of Common Stock outstanding	145,169	120,526
Effect of dilutive securities:		
Dilutive potential common shares	—	—
Denominator for diluted earnings per share	145,169	120,526
Earnings (loss) per common share – basic and diluted:		
Loss from continuing operations attributable to Aimco common stockholders	\$—	\$(0.30)
Income from discontinued operations attributable to Aimco common stockholders	0.03	0.21
Net income (loss) attributable to Aimco common stockholders	\$0.03	\$(0.09)

The Aimco Operating Partnership

The Aimco Operating Partnership calculates earnings (loss) per unit based on the weighted average number of common partnership units and equivalents, participating securities and dilutive convertible securities outstanding during the period. The Aimco Operating Partnership considers both common OP Units and HPU's, which have identical rights to distributions and undistributed earnings, to be common units for purposes of the earnings per unit data presented below. The following table illustrates the Aimco Operating Partnership's calculation of basic and diluted earnings (loss) per unit for the three months ended March 31, 2013 and 2012 (in thousands, except per unit

data):

21

Table of Contents

	Three Months Ended March 31,	
	2013	2012
Numerator:		
Income (loss) from continuing operations	\$702	\$(22,583)
Loss (income) from continuing operations attributable to noncontrolling interests	1,719	(1,225)
Income attributable to the Aimco Operating Partnership's preferred unitholders	(2,308)	(14,109)
Income attributable to participating securities	(140)	(119)
Loss from continuing operations attributable to the Aimco Operating Partnership's common unitholders	\$(27)	\$(38,036)
	\$2,131	\$33,230
Income from discontinued operations		
Loss (income) from discontinued operations attributable to noncontrolling interests	3,243	(6,540)
Income from discontinued operations attributable to the Aimco Operating Partnership's common unitholders	\$5,374	\$26,690
Net income (loss)	\$2,833	\$10,647
Net loss (income) attributable to noncontrolling interests	4,962	(7,765)
Income attributable to the Aimco Operating Partnership's preferred unitholders	(2,308)	(14,109)
Income attributable to participating securities	(140)	(119)
Net income (loss) attributable to the Aimco Operating Partnership's common unitholders	\$5,347	\$(11,346)
Denominator:		
Denominator for basic earnings per unit — weighted average number of common units outstanding	153,169	128,729
Effect of dilutive securities:		
Dilutive potential common units	—	—
Denominator for diluted earnings per unit	153,169	128,729
Earnings (loss) per common unit – basic and diluted:		
Loss from continuing operations attributable to the Aimco Operating Partnership's common unitholders	\$—	\$(0.30)
Income from discontinued operations attributable to the Aimco Operating Partnership's common unitholders	0.03	0.21
Net income (loss) attributable to the Aimco Operating Partnership's common unitholders	\$0.03	\$(0.09)

Aimco and the Aimco Operating Partnership

As of March 31, 2013, the common share equivalents or common partnership unit equivalents that could potentially dilute basic earnings per share or unit in future periods totaled 3.0 million. These securities represent options to purchase shares of Common Stock, which, if exercised, would result in Aimco's issuance of additional shares and the Aimco Operating Partnership's issuance to Aimco of additional common partnership units equal to the number of shares purchased under the options. These securities have been excluded from the earnings (loss) per share or unit computations for the three months ended March 31, 2013 and 2012, because their effect would have been anti-dilutive. Participating securities, consisting of unvested restricted shares of Common Stock, receive dividends similar to shares of Common Stock and common partnership units and totaled 0.6 million and 0.5 million at March 31, 2013 and 2012, respectively. The effect of participating securities is included in basic and diluted earnings (loss) per share and unit computations for the periods presented above using the two-class method of allocating distributed and undistributed earnings.

Various classes of preferred OP Units of the Aimco Operating Partnership are outstanding. Depending on the terms of each class, these preferred OP Units are convertible into common OP Units or redeemable for cash or, at the Aimco Operating Partnership's option, Common Stock, and are paid distributions varying from 1.8% to 8.8% per annum per unit, or equal to the dividends paid on Common Stock based on the conversion terms. As of March 31, 2013, a total of 2.9 million preferred OP Units were outstanding with an aggregate redemption value of \$79.2 million and were

potentially redeemable for approximately 2.6 million shares of Common Stock (based on the period end market price), or cash at the Aimco Operating Partnership's option. The Aimco Operating Partnership has a redemption policy that requires cash settlement of redemption requests for the preferred OP Units, subject to limited exceptions. Accordingly, we expect these securities to be excluded from earnings (loss) per share or unit computations in future periods.

Table of Contents

NOTE 10 — Notes Receivable

Our notes receivable generally have stated maturity dates and may require current payments of principal and interest. Repayment of these notes is subject to a number of variables, including the performance and value of the underlying real estate properties and the claims of unaffiliated mortgage lenders, which are generally senior to our claims. Our notes receivable consist of two classes: loans extended by us that we carry at the face amount plus accrued interest, which we refer to as “par value notes,” and loans extended by us that were discounted at origination, which we refer to as “discounted notes.”

We recognize interest income on par value notes as earned in accordance with the terms of the related loan agreements. We recognize interest income on discounted notes that we originated using the effective interest method. We assess the collectability of notes receivable on a periodic basis, which assessment consists primarily of an evaluation of the projected cash flow of the borrower to determine whether estimated cash flows are sufficient to repay principal and interest in accordance with the contractual terms of the note. We update our projections of the cash flow of such borrowers annually, and more frequently for certain loans depending on facts and circumstances. We recognize impairments on notes receivable when it is probable that principal and interest will not be received in accordance with the contractual terms of the loan. Factors that affect this assessment include the fair value of the partnership’s real estate, pending transactions to refinance the partnership’s senior obligations or sell the partnership’s real estate, and market conditions (current and forecasted) related to a particular asset. In certain instances where other sources of cash flow are available to repay the loan, the impairment is measured by discounting the estimated cash flows at the loan’s original effective interest rate.

The following table summarizes our notes receivable as of March 31, 2013 and December 31, 2012 (in thousands):

	March 31, 2013	December 31, 2012
Par value notes	\$4,807	\$5,439
Discounted notes	97,941	97,458
Total notes receivable	\$102,748	\$102,897
Face value of discounted notes	\$104,288	\$104,013

Notes receivable have various annual interest rates ranging between 2.3% and 8.8% and averaging 3.9%. Included in the notes receivable at March 31, 2013 and December 31, 2012 are \$101.7 million and \$101.3 million, respectively, in notes that were secured by interests in real estate or interests in real estate partnerships. All of the notes receivable shown above are estimated to be collectible and have not been impaired for the periods presented.

NOTE 11 — Business Segments

We have two reportable segments: conventional real estate operations and affordable real estate operations. Our conventional real estate operations consist of market-rate apartments with rents paid by the residents and included 175 properties with 55,884 units at March 31, 2013. Our affordable real estate operations consisted of 84 properties with 11,376 units at March 31, 2013, with rents that are generally paid, in whole or part, by a government agency. Our chief executive officer, who is our chief operating decision maker, uses various generally accepted industry financial measures to assess the performance and financial condition of the business, including: Net Asset Value, which is the estimated fair value of our assets, net of liabilities and preferred equity; Funds From Operations, which represents net income or loss computed in accordance with GAAP, excluding gains from sales of, and impairment losses recognized with respect to, depreciable property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures; Pro forma Funds From Operations, which is Funds From Operations excluding preferred equity redemption related amounts; Adjusted Funds From Operations, which is Pro forma Funds From Operations less spending for Capital Replacements, which represents our estimation of the capital additions required to maintain the value of our portfolio during our ownership period; property net operating income, which is rental and other property revenues less direct property operating expenses, including real estate taxes; proportionate property net operating income, which reflects our share of property net operating income of the consolidated and unconsolidated properties that we own and manage; same store property operating results; Free Cash Flow, which is net operating income less spending for Capital Replacements; Free Cash Flow internal rate of return; financial coverage ratios; and leverage as shown on our balance sheet. Our chief operating decision maker emphasizes

proportionate property net operating income as a key measurement of segment profit or loss.

23

Table of Contents

The following tables present the revenues, net operating income (loss) and income (loss) from continuing operations of our conventional and affordable real estate operations segments on a proportionate basis for the three months ended March 31, 2013 and 2012 (in thousands):

	Conventional Real Estate Operations	Affordable Real Estate Operations	Proportionate Adjustments (1)	Corporate and Amounts Not Allocated to Segments	Consolidated
Three Months Ended March 31, 2013:					
Rental and other property revenues (2)	\$ 209,004	\$ 25,467	\$ 13,701	\$ 26	\$ 248,198
Tax credit and asset management revenues	—	—	—	7,252	7,252
Total revenues	209,004	25,467	13,701	7,278	255,450
Property operating expenses (2)	77,163	10,603	5,193	8,917	101,876
Investment management expenses	—	—	—	1,433	1,433
Depreciation and amortization (2)	—	—	—	80,331	80,331
General and administrative expenses	—	—	—	11,779	11,779
Other expenses, net	—	—	—	2,224	2,224
Total operating expenses	77,163	10,603	5,193	104,684	197,643
Net operating income (loss)	131,841	14,864	8,508	(97,406)	57,807
Other items included in continuing operations	—	—	—	(57,105)	(57,105)
Income (loss) from continuing operations	\$ 131,841	\$ 14,864	\$ 8,508	\$(154,511)	\$ 702
	Conventional Real Estate Operations	Affordable Real Estate Operations	Proportionate Adjustments (1)	Corporate and Amounts Not Allocated to Segments	Consolidated
Three Months Ended March 31, 2012:					
Rental and other property revenues (2)	\$ 197,068	\$ 25,009	\$ 22,033	\$ 139	\$ 244,249
Tax credit and asset management revenues	—	—	—	8,071	8,071
Total revenues	197,068	25,009	22,033	8,210	252,320
Property operating expenses (2)	72,671	9,982	7,104	9,035	98,792
Investment management expenses	—	—	—	3,388	3,388
Depreciation and amortization (2)	—	—	—	86,632	86,632
Provision for real estate impairment losses (2)	—	—	—	6,074	6,074
General and administrative expenses	—	—	—	11,624	11,624
Other expenses, net	—	—	—	5,741	5,741
Total operating expenses	72,671	9,982	7,104	122,494	212,251
Net operating income (loss)	124,397	15,027	14,929	(114,284)	40,069
Other items included in continuing operations	—	—	—	(62,652)	(62,652)
Income (loss) from continuing operations	\$ 124,397	\$ 15,027	\$ 14,929	\$(176,936)	\$(22,583)

Represents adjustments for the noncontrolling interests in consolidated real estate partnerships' share of the results of our consolidated properties and the results of consolidated properties that we do not manage, which are excluded (1) from our measurement of segment performance but included in the related consolidated amounts, and our share of the results of operations of our unconsolidated real estate partnerships that we manage, which are included in our measurement of segment performance but excluded from the related consolidated amounts.

(2) Proportionate property net operating income, our key measurement of segment profit or loss excludes property management revenues (which are included in rental and other property revenues), property management expenses and casualty gains and losses (which are included in property operating expenses) and depreciation and

amortization and provision for real estate impairment losses. Accordingly, we do not allocate these amounts to our segments.

For the three months ended March 31, 2013 and 2012, capital additions related to our conventional segment totaled \$64.6 million and \$45.5 million, respectively, and capital additions related to our affordable segment totaled \$2.0 million and \$3.0 million, respectively.

Table of Contents

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements in certain circumstances. Certain information included in this Report contains or may contain information that is forward-looking, within the meaning of the federal securities laws, including, without limitation, statements regarding: our ability to maintain current or meet projected occupancy, rental rates and property operating results; the effect of acquisitions, dispositions and redevelopments; and our ability to comply with debt covenants, including financial coverage ratios. Actual results may differ materially from those described in these forward-looking statements and, in addition, will be affected by a variety of risks and factors, some of which are beyond our control, including, without limitation: financing risks, including the availability and cost of financing and the risk that our cash flows from operations may be insufficient to meet required payments of principal and interest; earnings may not be sufficient to maintain compliance with debt covenants; real estate risks, including fluctuations in real estate values and the general economic climate in the markets in which we operate and competition for residents in such markets; national and local economic conditions, including the pace of job growth and the level of unemployment; the terms of governmental regulations that affect us and interpretations of those regulations; the competitive environment in which we operate; the timing of acquisitions, dispositions and redevelopments; insurance risk, including the cost of insurance; natural disasters and severe weather such as hurricanes; litigation, including costs associated with prosecuting or defending claims and any adverse outcomes; energy costs; and possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us. In addition, our current and continuing qualification as a real estate investment trust involves the application of highly technical and complex provisions of the Internal Revenue Code and depends on our ability to meet the various requirements imposed by the Internal Revenue Code, through actual operating results, distribution levels and diversity of stock ownership. Readers should carefully review our financial statements and the notes thereto, as well as the section entitled “Risk Factors” described in Item 1A of Apartment Investment and Management Company’s and AIMCO Properties, L.P.’s Combined Annual Report on Form 10-K for the year ended December 31, 2012, and the other documents we file from time to time with the Securities and Exchange Commission. As used herein and except as the context otherwise requires, “we,” “our” and “us” refer to Apartment Investment and Management Company (which we refer to as Aimco), AIMCO Properties, L.P. (which we refer to as the Aimco Operating Partnership) and their consolidated entities, collectively.

Executive Overview

Aimco and the Aimco Operating Partnership are focused on the ownership, management and redevelopment of quality apartment communities located in the largest coastal and job growth markets in the United States. Our business activities are defined by a commitment to our core values of integrity, respect, collaboration, a focus on our customers and a performance culture. These values and our corporate mission, to consistently provide quality apartment homes in a respectful environment delivered by a team of people who care, continually shape our culture. In all our dealings with residents, team members, business partners and equity holders, we aim to be the best owner and operator of apartment communities and an outstanding corporate citizen.

Our principal financial objective is to provide predictable and attractive returns to our equity holders. Our business plan to achieve this objective is to:

- operate our nationwide portfolio of desirable apartment homes with valued amenities and with a high level of customer service and in an efficient manner that realizes the benefits of our local management expertise;
- improve our geographically diversified portfolio of market-rate apartment properties, which average “B/B+” in quality (defined below) by selling properties inconsistent with our portfolio strategy and investing the proceeds from such sales through redevelopment and acquisition of higher-quality properties; and
- provide financial leverage primarily by the use of non-recourse, long-dated, fixed-rate property debt and perpetual preferred equity, a combination which helps to limit our refunding and re-pricing risk and provides a hedge against increases in interest rates, capitalization rates and inflation.

Our property operations consist primarily of our diversified portfolio of market-rate apartment communities, which we refer to as conventional properties. At March 31, 2013, our conventional property operations included 175 properties

with 55,884 units in which we held an average ownership of 97% . We also operate a portfolio of affordable properties, which consists of apartments with rents that are generally paid, in whole or part, by a government agency. At March 31, 2013, our affordable property operations consisted of 84 properties with 11,376 units in which we held an average ownership of 80%. Our conventional and affordable property operations comprise our reportable segments and generated 90% and 10%, respectively, of our proportionate property net operating income (defined below under “Results of Operations – Real Estate Operations”) during the three months ended March 31, 2013. Over the next four to five years, we expect to dispose of our affordable properties and reinvest the proceeds in our conventional portfolio.

Table of Contents

For the three months ended March 31, 2013, our conventional portfolio had average revenue per effective unit of \$1,370 and provided 63% operating margins. Average revenue per effective unit represents rental and other property revenues divided by effective units, which is the number of actual property units multiplied by our ownership interest in the property as of the end of the current period. The average revenue per effective unit for our conventional portfolio increased 8.0% from average revenues of \$1,268 for the three months ended March 31, 2012, as a result of year-over-year per unit revenue growth of 5.3% and the sale of conventional properties during 2012 with average revenues per unit substantially lower than those of the retained portfolio. During the three months ended March 31, 2013, on average, combined conventional new and renewal lease rates were 3.9% higher than expiring lease rates. Our portfolio strategy seeks predictable rent growth from a portfolio of “A,” “B” and “C” quality market-rate apartment properties, which average “B/B+” in quality and are diversified among the largest coastal and job growth markets in the United States, as measured by total apartment value. We measure conventional property quality based on average rents of our units compared to local market average rents as reported by a third-party provider of commercial real estate performance and analysis. Under this rating system, we classify as A-quality properties those earning rents greater than 125% of the local market average, as B-quality properties those earning rents 90% to 125% of the local market average and as C-quality properties those earning rents less than 90% of the local market average. We classify as B/B+ those properties earning rents ranging from 100% to 125% of the local market average. Although some companies and analysts within the multifamily real estate industry use property class ratings of A, B and C, some of which are tied to local market rent averages, the metrics used to classify property quality as well as the timing for which local markets rents are calculated may vary from company to company. Accordingly, our rating system for measuring property quality is neither broadly nor consistently used in the multifamily real estate industry. We upgrade the quality of our portfolio through the sale of properties with lower projected returns, lower operating margins, and lower expected future rent growth. These properties are often located in markets we deem less desirable than our target markets. We reinvest the sale proceeds in properties already in our portfolio, through increased ownership, redevelopment or property upgrades, or through the purchase of other properties. Increasing our ownership in properties in our portfolio is attractive as we already operate these properties and know them well, and these investments are especially accretive where we can eliminate overhead costs associated with the partnerships that own these properties. We believe redevelopment of certain properties in superior locations provides advantages over ground-up development, enabling us to generate rents comparable to new properties with lower financial risk, in less time and with reduced delays associated with governmental permits and authorizations. We believe redevelopment also provides superior risk adjusted returns with lower volatility compared to ground-up development. Redevelopment work may also include seeking entitlements from local governments, which enhance the value of our existing portfolio by increasing density, that is, the right to add residential units to a site. We have historically undertaken a range of redevelopment projects: from those in which there is significant renovation, such as exteriors, common areas or unit improvements, typically done upon lease expirations without the need to vacate units on any wholesale or substantial basis, to those in which a substantial number of all available units are vacated for significant renovations to the property. We have a specialized Redevelopment and Construction Services group to oversee these projects. During the three months ended March 31, 2013, we invested \$30.7 million, \$13.3 million and \$6.1 million in redevelopment, capital improvements and property upgrades spending, respectively, on our conventional properties. Our leverage strategy seeks to balance our desire to increase financial returns with the inherent risks of leverage and we have set leverage targets of Debt and Preferred Equity to EBITDA of less than 7.0x and EBITDA Coverage of Interest and Preferred Dividends of greater than 2.5x. We also focus on Debt to EBITDA and EBITDA Coverage of Interest ratios.

Table of Contents

Debt, as used in these ratios, represents our proportionate share of debt, net of our proportionate share of cash and restricted cash and our investment in the subordinate tranches of a securitization that holds certain of our property loans, and Preferred Equity represents Aimco's preferred stock and the Aimco Operating Partnership's preferred OP Units. EBITDA is calculated by adding to our Pro forma Funds From Operations our proportionate share of interest expense, taxes, depreciation and amortization related to non-real estate assets, non-cash stock-based compensation, and dividends and distributions on our preferred equity instruments. Interest, as used in these ratios, represents our proportionate share of interest expense, excluding debt prepayment penalties and amortization of deferred financing costs, and reduced by interest income we receive on our investment in the subordinate tranches of a securitization that holds certain of our property loans. Our leverage ratios for the trailing twelve month and annualized three month periods ended March 31, 2013 and 2012, are presented below:

	Trailing Twelve Months		Annualized Three Months	
	Ended March 31,		Ended March 31,	
	2013	2012	2013	2012
Debt to EBITDA	7.5x	8.4x	7.6x	8.5x
Debt and Preferred Equity to EBITDA	7.8x	9.8x	7.9x	9.9x
EBITDA Coverage of Interest	2.4x	2.2x	2.5x	2.2x
EBITDA Coverage of Interest and Preferred Dividends	2.3x	1.8x	2.4x	1.8x

The trailing twelve months ended March 31, 2013 EBITDA Coverage of Interest and Preferred Dividends ratios above are provided on a pro forma basis to exclude the dividends on preferred stock we redeemed during 2012. We expect future leverage reduction from earnings growth generated by our current portfolio and by regularly scheduled property debt amortization funded from retained earnings. We expect to achieve our stated leverage targets by early 2014. We also expect to increase our financial flexibility in the future by expanding our pool of unencumbered properties. At March 31, 2013, this pool included three consolidated properties, which we expect to hold beyond 2013, with estimated fair values of approximately \$165.0 million.

At March 31, 2013, approximately 96% of our leverage consisted of property-level, non-recourse, long-dated debt and 3% consisted of perpetual preferred equity, a combination which helps to limit our refunding and re-pricing risk. The weighted average maturity of our property-level debt was 7.9 years, with 2.1% of our unpaid principal balance maturing during the balance of 2013 and, on average, 5.8% of our unpaid principal balance maturing per year from 2014 through 2016. Approximately 97% of our property-level debt is fixed-rate, which provides a hedge against increases in interest rates and inflation.

Although our primary sources of leverage are property-level, non-recourse, long-dated, fixed-rate, amortizing debt and perpetual preferred equity, we also have a Senior Secured Credit Agreement with a syndicate of financial institutions, which we refer to as our Credit Agreement, that provides for \$500.0 million of revolving loan commitments, to meet our short-term liquidity needs. At March 31, 2013, we had the capacity to borrow \$405.4 million pursuant to our Credit Agreement, net of \$49.2 million of outstanding borrowings and \$45.4 million for undrawn letters of credit backed by the Credit Agreement. The Credit Agreement matures in December 2014, and may be extended for two additional one-year periods, subject to certain conditions.

Under our Credit Agreement, we have agreed to Debt Service and Fixed Charge Coverage covenants. For the twelve month period ended March 31, 2013, our Debt Service and Fixed Charge Coverage ratios were 1.68x and 1.58x, respectively, compared to covenants of 1.50x and 1.30x, respectively, and ratios of 1.62x and 1.38x, respectively, for the twelve month period ended March 31, 2012. We expect to remain in compliance with these covenants during the remainder of 2013.

Key Financial Indicators

The key financial indicators that we use in managing our business and in evaluating our financial condition and operating performance are: Net Asset Value; Funds From Operations; Pro forma Funds From Operations; Adjusted Funds From Operations; property net operating income, which is rental and other property revenues less direct property operating expenses, including real estate taxes; proportionate property net operating income; same store property operating results; Free Cash Flow, which is net operating income less spending for Capital Replacements; Free Cash Flow internal rate of return; financial coverage ratios; and leverage as shown on our balance sheet. Funds

From Operations, Pro forma Funds From Operations and Adjusted Funds From Operations are defined and further described in “Funds From Operations,” and proportionate property net operating income is defined and further described in “Results of Operations – Real Estate Operations.” The key macro-economic factors and non-financial indicators that affect our financial condition and operating performance are: household formations; rates of job growth; single-family and multifamily housing starts; interest rates; and availability and cost of financing.

Table of Contents

Results of Operations

Because our operating results depend primarily on income from our properties, the supply and demand for apartments influences our operating results. Additionally, the level of expenses required to operate and maintain our properties and the pace and price at which we redevelop, acquire and dispose of our apartment properties affect our operating results.

The following discussion and analysis of the results of our operations and financial condition should be read in conjunction with the accompanying consolidated financial statements in Item 1.

Overview

Highlights of our results of operations for the three months ended March 31, 2013, are summarized below:

Conventional Same Store revenues and expenses for the three months ended March 31, 2013, increased by 4.7% and 4.9%, respectively, resulting in a 4.6% increase in net operating income as compared to the three months ended March 31, 2012;

Average revenue per effective unit for our Conventional properties increased by 8.0%, from \$1,268 for the three months ended March 31, 2012 to \$1,370 for the three months ended March 31, 2013.

Net operating income for our total real estate portfolio (continuing operations) for the three months ended March 31, 2013, increased 5.2% as compared to the three months ended March 31, 2012.

Three Months Ended March 31, 2013 compared to March 31, 2012

We reported net income attributable to Aimco of \$5.9 million and net income attributable to Aimco common stockholders of \$5.1 million for the three months ended March 31, 2013, as compared to net income attributable to Aimco of \$1.9 million and net loss attributable to Aimco common stockholders of \$10.6 million for the three months ended March 31, 2012, increases in income of \$3.9 million and \$15.7 million, respectively.

We reported net income attributable to the Aimco Operating Partnership of \$7.8 million and net income attributable to the Aimco Operating Partnership's common unitholders of \$5.3 million for the three months ended March 31, 2013, as compared to net income attributable to the Aimco Operating Partnership of \$2.9 million and net loss attributable to the Aimco Operating Partnership's common unitholders of \$11.3 million for the three months ended March 31, 2012, increases in income of \$4.9 million and \$16.7 million, respectively.

These increases in income for Aimco and the Aimco Operating Partnership during the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, were principally due to increases in operating income and interest income and a decrease in interest expense. These increases in income were partially offset by a decrease in income from discontinued operations, primarily due to a decrease in gains on dispositions. In addition, income attributable to Aimco's common stockholders and the Aimco Operating Partnership's common unit holders increased during the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, due to a reduction in preferred stock dividends and preferred unit distributions resulting from the redemption of \$600.9 million of preferred securities during 2012.

The following paragraphs discuss these and other items affecting the results of operations of Aimco and the Aimco Operating Partnership in more detail.

Real Estate Operations

As described in the preceding Executive Overview, our owned real estate portfolio consists primarily of conventional properties, and we also operate a portfolio of affordable properties. Our conventional and affordable property operations comprise our reportable segments.

In accordance with accounting principles generally accepted in the United States of America, or GAAP, we consolidate certain properties in which we hold an insignificant economic interest and in some cases we do not consolidate other properties in which we have a significant economic interest. Due to the diversity of our economic ownership interests in our properties, our chief operating decision maker emphasizes as a key measurement of segment profit or loss proportionate property net operating income, which represents our share of the property net operating income of the consolidated and unconsolidated properties that we own and manage. Accordingly, the results of operations of our conventional and affordable segments discussed below are presented on a proportionate basis and exclude the results of four conventional properties with 142 units and 19 affordable properties with 1,276 units that we do not manage.

Table of Contents

We do not include property management revenues, offsite costs associated with property management or casualty related amounts in our assessment of segment performance. Accordingly, these items are not allocated to our segment results discussed below.

The tables and discussions below reflect the proportionate results of our conventional and affordable segments and the consolidated results related to our real estate operations not allocated to segments for the three months ended March 31, 2013 and 2012 (in thousands). The tables and discussions below exclude the results of operations for properties we do not manage and for properties included in discontinued operations as of March 31, 2013. Refer to Note 11 in the condensed consolidated financial statements in Item 1 for further discussion regarding our reporting segments, including a reconciliation of these proportionate amounts to consolidated rental and other property revenues and property operating expenses.

Conventional Real Estate Operations

Our conventional segment consists of properties we classify as Conventional Same Store, Conventional Redevelopment and Other Conventional properties. Conventional Same Store properties are properties we manage, in which our ownership exceeds 10% and that have reached and maintained a stabilized occupancy (greater than 90%) during the current year and prior year-to-date periods. Conventional Redevelopment properties are those in which a substantial number of available units have been vacated for major renovations or have not been stabilized in occupancy for at least one year as of the earliest period presented, or for which other significant non-unit renovations are underway or have been complete for less than one year. Based on the small number of Conventional Redevelopment properties at March 31, 2013, we have included their results in the Other Conventional classification within the presentation below. Other Conventional properties generally includes conventional properties that have significant rent control restrictions, casualty properties, acquisition properties and properties that are not multifamily, such as commercial properties or fitness centers.

As of March 31, 2013, as defined by our segment performance metrics, our Conventional Same Store portfolio and our Other Conventional portfolio consisted of 138 and 33 properties with 50,691 and 5,051 units, respectively. From December 31, 2012 to March 31, 2013, on a net basis, our Conventional Same Store portfolio decreased by one property and increased by 387 units. This consisted of three properties with 1,295 units that were reclassified from our Other Conventional portfolio to our Conventional Same Store portfolio when they reached stabilization following a casualty loss, and four senior housing properties with 908 units that were reclassified from our Conventional Same Store portfolio to our Other Conventional portfolio based on our determination that certain restrictions on increases in rental rates for these properties are not appropriately comparable with changes in local market rental rates.

	Three Months Ended March 31,				
	2013	2012	\$ Change	% Change	
Rental and other property revenues:					
Conventional Same Store	\$ 188,527	\$ 180,078	\$ 8,449	4.7	%
Other Conventional	20,477	16,990	3,487	20.5	%
Total	209,004	197,068	11,936	6.1	%
Property operating expenses:					
Conventional Same Store	67,122	64,017	3,105	4.9	%
Other Conventional	10,041	8,654	1,387	16.0	%
Total	77,163	72,671	4,492	6.2	%
Property net operating income:					
Conventional Same Store	121,405	116,061	5,344	4.6	%
Other Conventional	10,436	8,336	2,100	25.2	%
Total	\$ 131,841	\$ 124,397	\$ 7,444	6.0	%

For the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, our conventional segment's proportionate property net operating income increased \$7.4 million, or 6.0%.

For the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, Conventional Same Store proportionate property net operating income increased by \$5.3 million, or 4.6%. This increase was primarily attributable to an \$8.4 million, or 4.7%, increase in rental and other property revenues due to higher average

revenues (approximately \$68 per effective unit), comprised of increases in rental rates, fee income and utility reimbursements, partially offset by a 60 basis point decrease in average daily occupancy. Rental rates on new leases transacted during the three months ended March 31, 2013, were 2.6% higher than expiring lease rates, and renewal rates were 5.3% higher than expiring lease rates. The increase in Conventional

Table of Contents

Same Store rental and other property revenues was partially offset by a \$3.1 million, or 4.9%, increase in property operating expenses, primarily due to increases in insurance and real estate taxes.

Our Other Conventional proportionate property net operating income increased by \$2.1 million, or 25.2%, during the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to a \$1.5 million increase in net operating income resulting from conventional properties we acquired in 2012.

Affordable Real Estate Operations

Our affordable segment consists of properties we classify as Affordable Same Store or Other Affordable. Affordable Same Store properties are properties we manage that are subject to tax credit agreements, in which our ownership exceeds 10% and that have reached and maintained a stabilized occupancy (greater than 90%) during the current year and prior year-to-date periods. Other Affordable properties are those that do not meet the Affordable Same Store property definition because they are not subject to tax credit agreements and/or our ownership interest is less than 10%. During the three months ended March 31, 2013, we revised our definition of Affordable Same Store properties to include only properties that are subject to tax credit agreements.

At March 31, 2013, as defined by our segment performance metrics, our Affordable Same Store portfolio and Other Affordable portfolio consisted of 48 and 17 properties with 7,696 and 2,404 units, respectively. From December 31, 2012 to March 31, 2013, our affordable Same Store portfolio decreased by 19 properties with 2,298 units. This decrease consisted of 16 non-tax credit properties with 2,232 units we reclassified from our Affordable Same Store portfolio to our Other Affordable portfolio based on the Affordable Same Store definition change discussed above, and three properties with 66 units that were sold during the three months ended March 31, 2013 and for which the results have reclassified into discontinued operations. Our affordable results for the three months ended March 31, 2013 and 2012 presented below are based on the property populations at March 31, 2013.

	Three Months Ended March 31,				
	2013	2012	\$ Change	% Change	
Rental and other property revenues:					
Affordable Same Store	\$21,198	\$20,737	\$461	2.2	%
Other Affordable	4,269	4,272	(3)	(0.1))%
Total	25,467	25,009	458	1.8	%
Property operating expenses:					
Affordable Same Store	8,684	8,249	435	5.3	%
Other Affordable	1,919	1,733	186	10.7	%
Total	10,603	9,982	621	6.2	%
Property net operating income:					
Affordable Same Store	12,514	12,488	26	0.2	%
Other Affordable	2,350	2,539	(189)	(7.4))%
Total	\$14,864	\$15,027	\$(163)	(1.1))%

For the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, our affordable segment's proportionate property net operating income decreased \$0.2 million, or 1.1%.

For the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, the proportionate property net operating income of our Affordable Same Store properties increased by less than \$0.1 million, or 0.2%. This increase in net operating income consisted of a \$0.5 million, or 2.2%, increase in revenue, partially offset by a \$0.4 million, or 5.3%, increase in expense. Affordable Same Store revenue increased primarily due to higher average revenues (\$14 per effective unit) and higher average daily occupancy (70 basis points).

Affordable Same Store expenses increased primarily due to an increase in insurance and real estate taxes.

Our Other Affordable proportionate property net operating income decreased by \$0.2 million, or 7.4%, during the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, primarily due to an increase in insurance and real estate taxes.

Non-Segment Real Estate Operations

Real estate operations net operating income amounts not attributed to our conventional or affordable segments include property management revenues, offsite costs associated with property management, and casualty losses, reported in

consolidated amounts, which we do not allocate to our conventional or affordable segments for purposes of evaluating segment performance (see Note 11 to the consolidated financial statements in Item 1).

30

Table of Contents

For the three months ended March 31, 2013 and 2012, property management expenses, which includes offsite costs associated with managing properties we own (both our share and the share that we allocate to the limited partners in our consolidated partnerships), totaled \$7.7 million and \$9.0 million, respectively. The decrease in property management expense is primarily due to a decrease in the number of properties we own and manage.

For the three months ended March 31, 2013 and 2012, casualty losses increased by \$1.1 million, from less than \$0.1 million to \$1.2 million, primarily due to increases in minor casualty losses incurred at certain of our properties in 2013.

Tax Credit and Asset Management Revenues

We sponsor certain consolidated partnerships that acquire, develop and operate qualifying affordable housing properties and are structured to provide for the pass-through of tax credits and deductions to their partners. We recognize income associated with the delivery of tax credits associated with these partnerships to their partners. Tax credit and other activities are conducted in part by our taxable subsidiaries, and the related net operating income may be subject to income taxes.

For the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, tax credit and asset management revenues decreased \$0.8 million. This decrease is primarily attributable to \$0.5 million of disposition fees recognized in 2012 with no comparable activity during 2013, and a decrease in other transactional fees from 2012 to 2013.

Investment Management Expenses

Investment management expenses consist primarily of the costs of personnel who perform tax credit and asset management activities. For the three months ended March 31, 2013, compared to the three months ended March 31, 2012, investment management expenses decreased \$2.0 million. The decrease was primarily due to \$0.9 million of fees paid to third parties for asset management services related to our legacy asset management business which we sold in late 2012 (see Note 4 to the condensed consolidated financial statements in Item 1), \$0.8 million of transaction costs recognized in 2012, and a \$0.3 million reduction in personnel and related costs.

Depreciation and Amortization

For the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, depreciation and amortization decreased \$6.3 million, or 7.3%, primarily due to assets that became fully depreciated.

Provision for Real Estate Impairment Losses

Based on periodic tests of recoverability of long-lived assets, for the three months ended March 31, 2013, we recognized no impairment losses related to properties classified as held for use. For the three months ended March 31, 2012, we recognized \$6.1 million of impairment losses related to properties classified as held for use primarily due to a reduction in the estimated period over which we expect to hold properties.

Other Expenses, Net

Other expenses, net includes franchise taxes, risk management activities, partnership administration expenses and certain non-recurring items. For the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, other expenses, net decreased \$3.5 million, primarily due to partnership expenses and severance costs incurred during 2012 with no comparable activity in 2013.

Interest Income

Interest income consists primarily of interest on notes receivable (including those from unconsolidated real estate partnerships, which are classified within other assets in our condensed consolidated balance sheets), accretion of discounts on certain notes receivable, interest on cash and restricted cash accounts and interest on investments in debt securities in a securitization of certain of our property loans. Interest income for the periods presented has been reduced by the amount of provisions for losses on notes receivable recognized, which, for the periods presented, are immaterial for separate presentation in the consolidated statements of operations.

For the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, interest income increased by \$4.0 million, primarily due to accretion income recognized in 2013 related to a property sale for which the net proceeds available for repayment of partnership loans exceeded the amounts previously anticipated.

Table of Contents

Interest Expense

For the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, interest expense, which includes the amortization of deferred financing costs, decreased by \$2.4 million, or 3.7%. The decrease was primarily related to lower average outstanding balances on non-recourse property debt for our existing properties (inclusive of our creation of a pool of unencumbered properties), partially offset by increases in interest related to properties we acquired in 2012.

Equity in Losses of Unconsolidated Real Estate Partnerships

Equity in earnings or losses of unconsolidated real estate partnerships includes our share of the net earnings or losses of our unconsolidated real estate partnerships, which may include impairment losses, gains or losses on the disposition of real estate properties or depreciation expense, which generally exceeds the net operating income recognized by such unconsolidated partnerships.

During 2012, the majority of the equity in losses of unconsolidated real estate partnerships related to our legacy asset management business. These amounts were attributed to noncontrolling interests and had no significant effect on the amounts of net income or loss attributable to Aimco. Following the sale of our legacy asset management business during late 2012, the equity in losses of these unconsolidated real estate partnerships is included in loss (gain) on dispositions and other, as further discussed below.

Loss (Gain) on Dispositions and Other

Loss (gain) on dispositions and other includes gains or losses on disposition of interests in unconsolidated real estate partnerships, gains or losses on dispositions of land and other non-depreciable assets and certain costs related to asset disposal activities, which vary from period to period. Loss (gain) on dispositions and other also includes the results of operations related to our legacy asset management business, which we account for under the profit sharing method as further discussed in Note 4 to the condensed consolidated financial statements in Item 1.

During the three months ended March 31, 2013, we recognized \$1.4 million of net losses related to our legacy asset management business. We allocated \$1.8 million of net losses to noncontrolling interests in the asset management business, resulting in \$0.4 million of income from the legacy asset management business attributable to Aimco and the Aimco Operating Partnership.

Income from Discontinued Operations, Net

The results of operations for consolidated properties sold during the period or designated as held for sale at the end of the period are generally required to be classified as discontinued operations for all periods presented. The components of net earnings that are classified as discontinued operations include all property-related revenues and operating expenses, depreciation expense recognized prior to the classification as held for sale, property-specific interest expense and debt extinguishment gains and losses to the extent there is secured debt on the property. In addition, any impairment losses on assets held for sale and the net gain or loss on the eventual disposal of properties held for sale are reported in discontinued operations.

For the three months ended March 31, 2013 and 2012, income from discontinued operations totaled \$2.1 million and \$33.2 million, respectively. The \$31.1 million decrease in income from discontinued operations was principally due to a \$33.9 million decrease in gain on dispositions of real estate, net of income taxes, and a \$0.8 million decrease in impairment losses on dispositions of real estate, partially offset by an increase in operating income, net of interest expense, due to the timing and composition of sales.

During the three months ended March 31, 2013, we sold three consolidated properties for gross proceeds of \$8.0 million and net proceeds of \$0.3 million, resulting in a net gain of approximately \$1.8 million (which is net of \$0.2 million of related income taxes). During the three months ended March 31, 2012, we sold ten consolidated properties for gross proceeds of \$89.7 million and net proceeds of \$40.4 million, resulting in a net gain of approximately \$35.4 million (which is net of \$0.3 million of related income taxes).

The weighted average net operating income capitalization rates for our affordable property sales, which are calculated using the trailing twelve month net operating income prior to sale, less a 3.0% management fee, divided by gross proceeds, were 4.8% during the three months ended March 31, 2013. During the three months ended March 31, 2012, the weighted average net operating income capitalization rates for our conventional and affordable property sales were 6.0% and 8.4%, respectively.

Table of Contents

Noncontrolling Interests in Consolidated Real Estate Partnerships

Noncontrolling interests in consolidated real estate partnerships reflects the results of our consolidated real estate partnerships allocated to the non-Aimco (or non-Aimco Operating Partnership) owners. The amounts of income or loss of our consolidated real estate partnerships that we allocate to the non-Aimco (or non-Aimco Operating Partnership) owners includes their share of property management fees, interest on notes and other amounts that we charge to these partnerships.

For the three months ended March 31, 2013, we allocated net losses of \$5.0 million to noncontrolling interests in consolidated real estate partnerships, compared to \$7.8 million of net income allocated to these noncontrolling interests during the three months ended March 31, 2012, or a change of \$12.7 million. This change was primarily due to a \$9.8 million decrease in the noncontrolling interest partners' share of income from discontinued operations resulting from their share of decreases in gains on dispositions of properties held by consolidated real estate partnerships, and a \$2.9 million decrease in the noncontrolling interest partners' share of income from continuing operations primarily due to their share of a retroactive rent increase awarded on one of our affordable properties during 2012.

Noncontrolling Interests in Aimco Operating Partnership

In Aimco's consolidated financial statements, noncontrolling interests in Aimco Operating Partnership reflects the results of the Aimco Operating Partnership that are allocated to the non-Aimco owners of OP Units. Aimco allocates the Aimco Operating Partnership's income or loss to the holders of common OP Units and equivalents based on the weighted average number of these units (including those held by Aimco) outstanding during the period. The amount of the Aimco Operating Partnership's income allocated to holders of the preferred OP Units is equal to the amount of distributions they receive.

For the three months ended March 31, 2013 and 2012, the non-Aimco owners' share of the Aimco Operating Partnership's operating results represented income of \$1.9 million and \$0.9 million, respectively, a change in their share of income and losses of \$1.0 million.

Income Attributable to Aimco Preferred Stockholders and the Aimco Operating Partnership's Preferred Unitholders
Income attributable to Aimco Preferred Stockholders decreased by \$11.7 million and income attributable to the Aimco Operating Partnership's preferred unitholders decreased by \$11.8 million during the three months ended March 31, 2013, as compared to the three months ended March 31, 2012. The decrease is primarily attributable to the redemption by Aimco of \$600.9 million of preferred stock during 2012, and the Aimco Operating Partnership's corresponding redemption of preferred units held by Aimco.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with GAAP, which requires us to make estimates and assumptions. We believe that the following critical accounting policies involve our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Impairment of Long-Lived Assets

Real estate and other long-lived assets to be held and used are stated at cost, less accumulated depreciation and amortization, unless the carrying amount of the asset is not recoverable. If events or circumstances indicate that the carrying amount of a property may not be recoverable, we make an assessment of its recoverability by comparing the carrying amount to our estimate of the undiscounted future cash flows, excluding interest charges, of the property. If the carrying amount exceeds the estimated aggregate undiscounted future cash flows, we recognize an impairment loss to the extent the carrying amount exceeds the estimated fair value of the property.

From time to time, we have non-revenue producing properties that we hold for future redevelopment. We assess the recoverability of the carrying amount of these redevelopment properties by comparing our estimate of undiscounted future cash flows based on the expected service potential of the redevelopment property upon completion to the carrying amount. In certain instances, we use a probability-weighted approach to determine our estimate of undiscounted future cash flows when alternative courses of action are under consideration.

Real estate investments are subject to varying degrees of risk. Several factors may adversely affect the economic performance and value of our real estate investments. These factors include:

- the general economic climate;

•competition from other apartment communities and other housing options;

33

Table of Contents

• local conditions, such as loss of jobs or an increase in the supply of apartments, that might adversely affect apartment occupancy or rental rates;

• changes in governmental regulations and the related cost of compliance;

• increases in operating costs (including real estate taxes) due to inflation and other factors, which may not be offset by increased rents;

• changes in tax laws and housing laws, including the enactment of rent control laws or other laws regulating multifamily housing; and

• changes in interest rates and the availability of financing.

Any adverse changes in these and other factors could cause an impairment of our long-lived assets, including real estate and investments in unconsolidated real estate partnerships. As we execute our portfolio strategy over the next few years, we are evaluating alternatives to sell or reduce our interest in a significant number of properties that do not align with our long-term investment strategy. While there is no assurance that we will sell or reduce our investment in these properties during the desired time frame, the size of our portfolio is likely to change as we continue to execute our portfolio management strategy. For any properties that are sold or meet the criteria to be classified as held for sale during the next twelve months, the reduction in the estimated holding period for these properties may result in additional impairment losses.

Based on periodic tests of recoverability of long-lived assets, for the three months ended March 31, 2013, we recorded no impairment losses related to properties classified as held for use. We recognized \$6.1 million of impairments related to properties classified as held for use during the three months ended March 31, 2012, primarily based on a reduction in the estimated holding periods for such properties. During the three months ended March 31, 2013, we recognized recoveries of previously recognized impairment losses of \$0.2 million for real estate properties included in discontinued operations based on the sales proceeds exceeding the estimate on which a previously recognized impairment was based. During the three months ended March 31, 2012, we recognized impairment losses of \$0.6 million related to real estate properties included in discontinued operations, primarily due to reductions in the estimated holding periods for properties sold during these periods.

Capitalized Costs

We capitalize costs, including certain indirect costs, incurred in connection with our capital additions activities, including redevelopment and construction projects, other tangible property improvements and replacements of existing property components. Included in these capitalized costs are payroll costs associated with time spent by site employees in connection with the planning, execution and control of all capital additions activities at the property level. We characterize as “indirect costs” an allocation of certain department costs, including payroll, at the area operations and corporate levels that clearly relate to capital additions activities. We also capitalize interest, property taxes and insurance during periods in which redevelopment and construction projects are in progress. We commence capitalization of costs, including certain indirect costs, incurred in connection with our capital addition activities, at the point in time when activities necessary to get properties ready for their intended use are in progress. This includes when properties or units are undergoing physical construction, as well as when units are held vacant in advance of planned construction, provided that other activities such as permitting, planning and design are in progress. We cease the capitalization of costs when the assets are substantially complete and ready for their intended use, which is typically when construction has been completed and units are available for occupancy. We charge to expense as incurred costs that do not relate to capital additions activities, including ordinary repairs, maintenance, resident turnover costs and general and administrative expenses.

For the three months ended March 31, 2013 and 2012, for continuing and discontinued operations, we capitalized \$4.3 million and \$4.1 million of interest costs, respectively, and \$8.9 million and \$8.1 million of other direct and indirect costs, respectively.

Funds From Operations

Funds From Operations, or FFO, is a non-GAAP financial measure that we believe, when considered with the financial statements determined in accordance with GAAP, is helpful to investors in understanding our performance because it captures features particular to real estate performance by recognizing that real estate generally appreciates over time or maintains residual value to a much greater extent than do other depreciable assets such as machinery,

computers or other personal property. The National Association of Real Estate Investment Trusts, or NAREIT, defines FFO as net income or loss computed in accordance with GAAP, excluding gains from sales of, and impairment losses recognized with respect to, depreciable property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated on the same basis to determine FFO. We calculate FFO attributable to Aimco common stockholders (diluted) by subtracting, if dilutive, redemption or repurchase related preferred stock issuance costs and dividends on preferred stock and adding back dividends/distributions on dilutive preferred securities and premiums or discounts on preferred stock redemptions or repurchases.

Table of Contents

In addition to FFO, we compute Pro forma FFO and Adjusted FFO, or AFFO, which are also non-GAAP financial measures we believe are helpful to investors in understanding our performance. Pro forma FFO represents FFO attributable to Aimco common stockholders (diluted), excluding preferred equity redemption-related amounts (adjusted for noncontrolling interests). Preferred equity redemption-related amounts (gains or losses) are items that periodically affect our operating results and we exclude these items from our calculation of Pro forma FFO because such amounts are not representative of our operating performance. AFFO represents Pro forma FFO reduced by Capital Replacements (also adjusted for noncontrolling interests), which represents our estimation of the capital additions required to maintain the value of our portfolio during our ownership period. When we make capital additions at a property, we evaluate whether the additions enhance the value, profitability, or useful life of an asset as compared to its condition at the time we purchased the asset. We classify as Capital Improvements those capital additions that meet these criteria and we classify as Capital Replacements those that do not.

FFO, Pro forma FFO and AFFO should not be considered alternatives to net income (loss) or net cash flows from operating activities, as determined in accordance with GAAP, as indications of our performance or as measures of liquidity. Although we use these non-GAAP measures for comparability in assessing our performance against other REITs, not all REITs compute these same measures. Additionally, computation of AFFO is subject to definitions of capital spending, which are subjective. Accordingly, there can be no assurance that our basis for computing these non-GAAP measures is comparable with that of other REITs. For the three months ended March 31, 2013 and 2012, Aimco's FFO, Pro forma FFO and AFFO are calculated as follows (in thousands):

	Three Months Ended March 31,	
	2013	2012
Net income (loss) attributable to Aimco common stockholders (1)	\$5,050	\$(10,609)
Adjustments:		
Depreciation and amortization	80,331	86,632
Depreciation and amortization related to non-real estate assets	(2,970)	(3,242)
Depreciation of rental property related to noncontrolling partners and unconsolidated entities	(3,206)	(4,927)
Loss (gain) on dispositions and other, net of noncontrolling partners' interest	74	(12)
Recoveries of impairment losses related to depreciable real estate assets, net of noncontrolling partners' interest	37	5,596
Discontinued operations:		
Gain on dispositions of real estate, net of income taxes and noncontrolling partners' interest	(5,079)	(28,163)
(Recovery of) provision for impairment losses related to depreciable real estate assets, net of noncontrolling partners' interest	(235)	320
Depreciation of rental property, net of noncontrolling partners' interest	36	7,084
Common noncontrolling interests in Aimco Operating Partnership's share of above adjustments	(3,746)	(4,160)
Amounts allocable to participating securities	(148)	(140)
FFO / Pro forma Funds From Operations Attributable to Aimco Common Stockholders - Diluted	\$70,144	\$48,379
Capital Replacements, net of common noncontrolling interests in Aimco Operating Partnership	(15,187)	(13,296)
Amounts allocable to participating securities	63	69
AFFO attributable to Aimco common stockholders – diluted	\$55,020	\$35,152
Weighted average common shares outstanding – diluted (earnings per share)	145,169	120,526
Dilutive common share equivalents	221	343
Weighted average common shares outstanding – diluted (2)	145,390	120,869

- (1) Represents the numerator for calculating Aimco's earnings per common share in accordance with GAAP (see Note 9 to the condensed consolidated financial statements in Item 1).
- (2) Represents the denominator for Aimco's earnings per common share – diluted, calculated in accordance with GAAP, plus common share equivalents that are dilutive for FFO, Pro forma FFO and AFFO.

The Aimco Operating Partnership does not separately compute or report FFO, Pro forma FFO or AFFO. However, based on Aimco's method for allocation of amounts of FFO, Pro forma FFO and AFFO to noncontrolling interests in the Aimco Operating Partnership, as well as the limited differences between Aimco's and the Aimco Operating Partnership's net loss amounts during the periods presented, FFO, Pro forma FFO and AFFO amounts on a per unit basis for the Aimco Operating Partnership would be expected to be substantially the same as the corresponding per share amounts for Aimco.

Table of Contents

Liquidity and Capital Resources

Liquidity is the ability to meet present and future financial obligations. Our primary source of liquidity is cash flow from our operations. Additional sources are proceeds from property sales, proceeds from refinancings of existing property loans, borrowings under new property loans and borrowings under our revolving Credit Agreement. Our principal uses for liquidity include normal operating activities, payments of principal and interest on outstanding property debt, capital expenditures, dividends paid to stockholders and distributions paid to noncontrolling interest partners and acquisitions of, and investments in, properties. We use our cash and cash equivalents and our cash provided by operating activities to meet short-term liquidity needs. In the event that our cash and cash equivalents and cash provided by operating activities are not sufficient to cover our short-term liquidity needs, we have additional means, such as short-term borrowing availability and proceeds from property sales and refinancings, to help us meet our short-term liquidity needs. We may use our revolving Credit Agreement for general corporate purposes and to fund investments on an interim basis. We expect to meet our long-term liquidity requirements, such as debt maturities and property acquisitions, through long-term borrowings, primarily secured, the issuance of equity securities (including OP Units), the sale of properties and cash generated from operations.

The availability of credit and its related effect on the overall economy may affect our liquidity and future financing activities, both through changes in interest rates and access to financing. Currently, interest rates are low compared to historical levels and many lenders are active in the market. However, any adverse changes in the lending environment could negatively affect our liquidity. We believe we have mitigated much of this exposure by reducing our short and intermediate term maturity risk through refinancing such loans with long-dated, fixed-rate property loans. However, if property financing options become unavailable for our further debt needs, we may consider alternative sources of liquidity, such as reductions in capital spending or proceeds from asset dispositions.

We are subject to total rate of return swaps that require specified loan-to-value ratios that may require us to pay down the debt or provide additional collateral, which may adversely affect our cash flows. At March 31, 2013, we had provided \$20.0 million of cash collateral pursuant to the swap agreements to satisfy the loan-to-value requirements. See Note 6 to the condensed consolidated financial statements in Item 1 for additional information regarding these arrangements.

As of March 31, 2013, we had the capacity to borrow \$405.4 million pursuant to our Credit Agreement, net of \$49.2 million of outstanding borrowings under the Credit Agreement and \$45.4 million for undrawn letters of credit backed by the Credit Agreement.

At March 31, 2013, we had \$49.6 million in cash and cash equivalents and \$156.1 million of restricted cash, decreases in cash of \$34.9 million and \$9.3 million, respectively, from December 31, 2012. Restricted cash primarily consists of reserves and escrows held by lenders for bond sinking funds, capital additions, property taxes and insurance, and escrows related to tenant security deposits. In addition, cash, cash equivalents and restricted cash are held by partnerships that are not presented on a consolidated basis. The following discussion relates to changes in cash due to operating, investing and financing activities, which are presented in our condensed consolidated statements of cash flows in Item 1.

Operating Activities

For the three months ended March 31, 2013, our net cash provided by operating activities of \$48.9 million was primarily related to operating income from our consolidated properties, which is affected primarily by rental rates, occupancy levels and operating expenses related to our portfolio of properties, in excess of payments of operating accounts payable and accrued liabilities. Cash provided by operating activities for the three months ended March 31, 2013 increased by \$0.4 million as compared to the three months ended March 31, 2012, primarily due to a decrease in cash used for working capital requirements during 2013 as compared to 2012, substantially offset by a decrease in the operating income of our properties resulting from properties we sold during 2012.

Table of Contents

Investing Activities

For the three months ended March 31, 2013, our net cash used in investing activities of \$73.6 million consisted primarily of capital expenditures. Capital expenditures totaled \$66.1 million and \$56.4 million during the three months ended March 31, 2013 and 2012, respectively. We generally fund capital additions with cash provided by operating activities, working capital and property sales. We categorize our capital spending broadly into five primary categories: Capital Replacements (consisting of standard Capital Replacements and those relating to multi-phase projects), Property Upgrades, Capital Improvements, Redevelopment and casualty replacements spending. We monitor our spending in these categories based on capital additions related to properties that we own and manage, and we do not include in these measures capital spending related to properties sold or classified as held for sale at the end of the period, properties that are not multi-family such as commercial properties or fitness facilities, or properties we own but do not manage. A summary of the capital spending for these categories, along with a reconciliation of the total for these categories to the capital expenditures reported in the accompanying condensed consolidated statements of cash flow for the three months ended March 31, 2013 and 2012 are presented below (dollars in thousands):

	2013	2012
Capital Replacements:		
Standard	\$9,823	\$11,163
Multi-phase projects	4,907	\$—
Property Upgrades	6,070	7,718
Capital Improvements	13,258	4,563
Redevelopment additions	30,652	15,656
Casualty replacements	1,799	1,746
Total capital additions	66,509	40,846
Less: additions related to unconsolidated partnerships	—	(115)
Plus: additions related to sold or held for sale properties	8	7,535
Plus: additions related to consolidated properties not managed, commercial space, fitness facilities and other	48	229
Consolidated capital additions	66,565	48,495
Plus: net change in accrued capital spending	(501)	7,899
Capital expenditures per consolidated statement of cash flows	\$66,064	\$56,394

During the three months ended March 31, 2013, we continued the redevelopment of nine properties that was started during 2012. In addition, we continued multi-phase capital projects at Park Towne Place and The Sterling, both located in Center City Philadelphia, and 2900 on First, located in Seattle. The initial phases of these projects consist of Capital Replacement and Capital Improvement investments, with redevelopment to follow. We expect our conventional redevelopment spending for 2013 to range from approximately \$130.0 million to \$160.0 million. For the three months ended March 31, 2013 and 2012, capital spending included \$4.3 million and \$4.1 million of interest costs, respectively, and \$8.9 million and \$8.1 million of other direct and indirect costs, respectively.

Financing Activities

For the three months ended March 31, 2013, our net cash used in financing activities of \$10.2 million was primarily attributed to debt principal payments, dividends paid to common security holders and distributions paid to noncontrolling interests, partially offset by proceeds from property loans and borrowings on our revolving line of credit.

Property Debt

At both March 31, 2013 and December 31, 2012, we had \$4.7 billion of consolidated property debt outstanding, which included \$3.9 million of property debt classified within liabilities related to assets held for sale at December 31, 2012. We intend to continue to refinance property debt primarily as a means of extending current and near term maturities and we also intend to use property debt to finance certain capital projects.

Credit Agreement

We have a Credit Agreement which consists of \$500.0 million of revolving loan commitments. Borrowings under the Credit Agreement bear interest at a rate set forth on a pricing grid which rate varies based on our leverage (initially

either LIBOR plus 2.5% or, at our option, a base rate). The revolving Credit Agreement matures December 2014, and may be extended for two additional one-year periods, subject to certain conditions, including payment of a 25.0 basis point fee on the total revolving commitments.

Table of Contents

As of March 31, 2013, we had \$49.2 million of outstanding borrowings under the Credit Agreement, and we had the capacity to borrow \$405.4 million, net of the outstanding borrowings and \$45.4 million for undrawn letters of credit backed by the Credit Agreement. The proceeds of revolving loans are generally used to fund working capital and for other corporate purposes.

Equity and Partners' Capital Transactions

During the three months ended March 31, 2013, Aimco paid cash dividends or distributions totaling \$0.7 million, \$35.0 million and \$3.5 million to preferred stockholders, common stockholders and holders of noncontrolling interests in the Aimco Operating Partnership, respectively.

During the three months ended March 31, 2013, the Aimco Operating Partnership paid cash distributions totaling \$2.3 million and \$36.9 million to preferred unitholders and common unitholders, respectively, of which \$0.7 million and \$35.0 million, respectively, represented distributions to Aimco.

During the three months ended March 31, 2013, Aimco and the Aimco Operating Partnership paid cash distributions of \$12.2 million to holders of noncontrolling interests in consolidated real estate partnerships, primarily related to property sales during 2012.

Pursuant to ATM offering programs active at March 31, 2013, Aimco has the capacity to issue up to 3.5 million additional shares of its Common Stock and an additional 3.5 million shares of its Class Z Cumulative Preferred Stock. In the event of any such issuances, Aimco would contribute the net proceeds to the Aimco Operating Partnership in exchange for number of common OP Units or Class Z Partnership Preferred Units, as the case may be, equal to the number of shares issued and sold. Additionally, the Aimco Operating Partnership and Aimco have a shelf registration statement that provides for the issuance of debt securities by the Aimco Operating Partnership and equity securities by Aimco.

Future Capital Needs

We expect to fund any future acquisitions, redevelopment projects, Capital Improvements and Capital Replacements principally with proceeds from property sales, short-term borrowings, debt and equity financing and operating cash flows.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Our primary market risk exposure is to the availability of property debt or other cash sources to refund maturing property debt and to changes in base interest rates and credit risk spreads. Our liabilities are not subject to any other material market rate or price risks. We use predominantly long-term, fixed-rate non-recourse property debt in order to avoid the refunding and repricing risks of short-term borrowings. We use short-term debt financing and working capital primarily to fund short-term uses and acquisitions and generally expect to refinance such borrowings with cash from operating activities, property sales proceeds, long-term debt or equity financings. We use total rate-of-return swaps to obtain the benefit of variable rates on certain of our fixed rate debt instruments. We make limited use of other derivative financial instruments and we do not use them for trading or other speculative purposes.

As of March 31, 2013, on a consolidated basis, we had approximately \$155.4 million of variable rate property indebtedness outstanding, \$49.2 million of variable rate borrowings under our Credit Agreement, and \$37.0 million of variable rate preferred stock outstanding. Of the total debt subject to variable interest rates, floating rate tax-exempt bond financing was approximately \$131.5 million. Floating rate tax-exempt bond financing is benchmarked against the Securities Industry and Financial Markets Association Municipal Swap Index, or SIFMA, rate, which since 1992 has averaged 75% of the 30-day LIBOR rate. If this historical relationship continues, we estimate that an increase in 30-day LIBOR of 100 basis points (75 basis points for tax-exempt interest rates) with constant credit risk spreads would result in Aimco's net income and net income attributable to Aimco common stockholders being reduced (or the amounts of net loss and net loss attributable to Aimco common stockholders being increased) by \$1.7 million and \$1.9 million, respectively, on an annual basis. We estimate this same increase in interest rates would result in the Aimco Operating Partnership's net income and net income attributable to the Aimco Operating Partnership's common unitholders being reduced (or the amounts of net loss and net loss attributable to the Aimco Operating Partnership's common unitholders being increased) by \$1.7 million and \$2.0 million, respectively, on an annual basis.

At March 31, 2013, we had approximately \$308.4 million in cash and cash equivalents, restricted cash and notes receivable, a portion of which bear interest at variable rates indexed to LIBOR-based rates, and which may mitigate

the effect of an increase in variable rates on our variable-rate indebtedness and preferred stock discussed above. We estimate the fair value for our debt instruments as described in Note 7 to the condensed consolidated financial statements in Item 1. The estimated aggregate fair value of our consolidated debt (including amounts reported in liabilities related to assets held for sale) was approximately \$5.1 billion at March 31, 2013 (\$4.9 billion on a proportionate basis, including our share of the

Table of Contents

property debt of unconsolidated partnerships). The combined carrying value of our consolidated debt (including amounts reported in liabilities related to assets held for sale) was approximately \$4.7 billion at March 31, 2013 (\$4.5 billion on a proportionate basis). If market rates for our fixed-rate debt were higher by 100 basis points with constant credit risk spreads, the estimated fair value of our debt discussed above would have decreased from \$5.1 billion to \$4.9 billion (from \$4.9 billion to \$4.7 billion on a proportionate basis). If market rates for our debt discussed above were lower by 100 basis points with constant credit risk spreads, the estimated fair value of our fixed-rate debt would have increased from \$5.1 billion to \$5.4 billion (from \$4.9 billion to \$5.1 billion on a proportionate basis).

ITEM 4. Controls and Procedures

Aimco

Disclosure Controls and Procedures

Aimco's management, with the participation of Aimco's chief executive officer and chief financial officer, has evaluated the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, Aimco's chief executive officer and chief financial officer have concluded that, as of the end of such period, Aimco's disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There has been no change in Aimco's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the first quarter of 2013 that has materially affected, or is reasonably likely to materially affect, Aimco's internal control over financial reporting.

The Aimco Operating Partnership

Disclosure Controls and Procedures

The Aimco Operating Partnership's management, with the participation of the chief executive officer and chief financial officer of Aimco, who are the equivalent of the Aimco Operating Partnership's chief executive officer and chief financial officer, respectively, has evaluated the effectiveness of the Aimco Operating Partnership's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, the chief executive officer and chief financial officer of Aimco have concluded that, as of the end of such period, the Aimco Operating Partnership's disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There has been no change in the Aimco Operating Partnership's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the first quarter of 2013 that has materially affected, or is reasonably likely to materially affect, the Aimco Operating Partnership's internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

ITEM 1A. Risk Factors

As of the date of this report, there have been no material changes from the risk factors in Aimco's and the Aimco Operating Partnership's combined Annual Report on Form 10-K for the year ended December 31, 2012.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Aimco

(a) Unregistered Sales of Equity Securities. Aimco did not issue any unregistered shares of Common Stock during the three months ended March 31, 2013.

(c) Repurchases of Equity Securities. There were no repurchases by Aimco of its equity securities during the three months ended March 31, 2013. Aimco's Board of Directors has, from time to time, authorized Aimco to repurchase shares of its outstanding capital stock. As of March 31, 2013, Aimco was authorized to repurchase approximately 19.3 million additional shares. This authorization has no expiration date. These repurchases may be made from time to time in the open market or in privately negotiated transactions.

The Aimco Operating Partnership

(a) Unregistered Sales of Equity Securities. The Aimco Operating Partnership did not issue any common OP Units in exchange for shares of Aimco Common Stock during the three months ended March 31, 2013.

(c) Repurchases of Equity Securities. The Aimco Operating Partnership's Partnership Agreement generally provides that after holding the common OP Units for one year, Limited Partners have the right to redeem their common OP Units for cash, subject to the Aimco Operating Partnership's prior right to cause Aimco to acquire some or all of the common OP Units tendered for redemption in exchange for shares of Common Stock. Common OP Units redeemed for Common Stock are exchanged on a one-for-one basis (subject to antidilution adjustments). During the three months ended March 31, 2013, no common OP Units were redeemed in exchange for shares of Common Stock. The following table summarizes repurchases of the Aimco Operating Partnership's equity securities for the three months ended March 31, 2013.

Period	Total Number of Units Purchased	Average Price Paid per Unit	Total Number of Units Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Units that May Yet Be Purchased Under the Plans or Programs (1)
January 1 – January 31, 2013	780	\$27.03	N/A	N/A
February 1 – February 28, 2013	6,985	27.70	N/A	N/A
March 1 – March 31, 2013	3,234	29.61	N/A	N/A
Total	10,999	\$28.21		

(1) The terms of the Aimco Operating Partnership's Partnership Agreement do not provide for a maximum number of units that may be repurchased, and other than the express terms of its Partnership Agreement, the Aimco Operating Partnership has no publicly announced plans or programs of repurchase. However, whenever Aimco repurchases shares of its Common Stock, it is expected that Aimco will fund the repurchase with proceeds from a concurrent repurchase by the Aimco Operating Partnership of common OP Units held by Aimco at a price per unit that is equal to the price per share paid for its Common Stock.

Aimco and the Aimco Operating Partnership

Dividend and Distribution Payments. Our Credit Agreement includes customary covenants, including a restriction on dividends and distributions and other restricted payments, but permits dividends and distributions during any 12-month period in an aggregate amount of up to 95% of Aimco's Funds From Operations, subject to certain non-cash adjustments, for such period or such amount as may be necessary for Aimco to maintain its REIT status.

Table of Contents

ITEM 5. Other Information

Submission of Matters to a Vote of Security Holders.

Aimco held its 2013 Annual Meeting of Stockholders on April 30, 2013, at its corporate headquarters, 4582 South Ulster Street, Suite 1100, Denver, Colorado, 80237. Terry Considine, Aimco's Chairman and Chief Executive Officer, presided. Aimco's stockholders considered three proposals, each of which is described in more detail in Aimco's Definitive Proxy Statement on Schedule 14A, which was filed with the Securities and Exchange Commission on March 3, 2013. On the record date of February 22, 2013, there were 145,858,179 shares of Aimco's Common Stock issued and outstanding and eligible to vote. The final voting results are reported below.

Proposal 1: Election of eight directors to serve for a one-year term until Aimco's 2014 annual meeting of stockholders.

Aimco's stockholders elected each of the seven nominees for director, and the voting results are set forth below:

	For	Against	Abstentions	Broker Non-Votes
James N. Bailey	123,848,067	3,582,496	16,266	5,662,702
Terry Considine	120,386,139	7,028,697	31,993	5,662,702
Thomas L. Keltner	124,407,121	3,021,317	18,391	5,662,702
J. Landis Martin	114,521,391	12,906,297	19,141	5,662,702
Robert A. Miller	124,405,129	3,023,862	17,838	5,662,702
Kathleen M. Nelson	124,397,635	3,031,869	17,325	5,662,702
Michael A. Stein	124,399,910	3,030,600	16,319	5,662,702

Proposal 2: The appointment of Ernst & Young LLP as Aimco's independent registered public accounting firm for the year ending December 31, 2013, was ratified as follows:

For	Against	Abstentions	Broker Non-Votes
130,353,345	2,664,476	91,710	—

Proposal 3: Advisory vote to approve the compensation of executive officers disclosed in Aimco's proxy statement. Aimco's stockholders gave advisory approval of the executive compensation program, and the voting results are set forth below:

For	Against	Abstentions	Broker Non-Votes
118,919,432	8,455,482	79,744	5,654,873

Table of Contents

ITEM 6. Exhibits

The following exhibits are filed with this report:

EXHIBIT NO. (1) DESCRIPTION

- | | |
|------|--|
| 3.1 | Aimco – Charter (Exhibit 3.1 to Aimco’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012, is incorporated herein by this reference) |
| 3.2 | Aimco – Amended and Restated Bylaws (Exhibit 3.2 to Aimco’s Current Report on Form 8-K dated February 2, 2010, is incorporated herein by this reference) |
| 10.1 | Aimco and the Aimco Operating Partnership – First Amendment to Senior Secured Credit Agreement, dated as of April 5, 2013, by and among Apartment Investment and Management Company, AIMCO Properties, L.P., AIMCO/Bethesda Holdings, Inc., Keybank National Association, as Agent for itself and the other lenders from time to time a party to the Senior Secured Credit Agreement |
| 31.1 | Aimco – Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Aimco – Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.3 | The Aimco Operating Partnership – Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.4 | The Aimco Operating Partnership – Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Aimco – Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Aimco – Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.3 | The Aimco Operating Partnership – Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.4 | The Aimco Operating Partnership – Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 99.1 | Aimco – Agreement Regarding Disclosure of Long-Term Debt Instruments |
| 101 | XBRL (Extensible Business Reporting Language). The following materials from Aimco’s and the Aimco Operating Partnership’s combined Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, tagged in XBRL: (i) condensed consolidated balance sheets; (ii) condensed consolidated statements of operations; (iii) condensed consolidated statements of comprehensive income (loss); (iv) condensed consolidated statements of cash flows; and (v) notes to condensed consolidated financial statements. |
| (1) | Schedules and supplemental materials to the exhibits have been omitted but will be provided to the Securities and Exchange Commission upon request. |

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

APARTMENT INVESTMENT AND
MANAGEMENT COMPANY

By: /s/ ERNEST M. FREEDMAN
Ernest M. Freedman
Executive Vice President and Chief Financial
Officer
(duly authorized officer and
principal financial officer)

By: /s/ PAUL BELDIN
Paul Beldin
Senior Vice President and
Chief Accounting Officer

AIMCO PROPERTIES, L.P.

By: AIMCO-GP, Inc., its general partner

By: /s/ ERNEST M. FREEDMAN
Ernest M. Freedman
Executive Vice President and Chief Financial
Officer
(duly authorized officer and
principal financial officer)

By: /s/ PAUL BELDIN
Paul Beldin
Senior Vice President and
Chief Accounting Officer

Date: May 3, 2013